



L I B R A R Y

B O S T O N
U N I V E R S I T Y



 COLLEGE 
BUSINESS
ADMINISTRATION

Class No.	*331.833
Book No.	M14g
Acc. No.	32164
Date	6-9-43

BOSTON UNIVERSITY
COLLEGE OF BUSINESS ADMINISTRATION

Thesis

"THE GOVERNMENT'S PLACE IN THE HOUSING INDUSTRY"

by

THOMAS J. MC DERMOTT

(B.B.A. Boston University 1939)

submitted in partial fulfillment of
the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

1941



Digitized by the Internet Archive
in 2016

<https://archive.org/details/governmentsplace00mcde>

6-9-43
32164
*331,833
M149

TABLE OF CONTENTS

	<u>Page</u>
Chapter I The Problem of the Post-war Depression	1
Chapter II Systems of Housing	5
Chapter III Conditions, Wages, etc. Unfavorable to New Construction	11
Chapter IV The Government Can be Helped	27
Chapter V The Creation of a Nation of Home Owners	39
Chapter VI General Proposals for Saving the Housing Industry	117

TABLE OF CHARTS

Chart I Rental Charges for the Room at Current Rate of Interest	29
Chart II Number of Dwelling Units Started Annually in Non-war Years (1929-1939)	301
Chart III Total Number of Dwelling Units Started Annually in Non-war Years Adjusted for Condition Now in War Years - 1919-1939 (1939)	303
Chart IV Percentage of the Population in the Cities	35
Chart V Census of the Population - 1930-1940	36
Chart VI Urban Population in the United States as a Percent of Total - 1930-1940	37

	<u>Page</u>
Chart VII	Number of Building Units in the United States - April 1, 1940
	39
Chart VIII	Distribution of Urban Population in the United States by Annual Income - 1930
	43
Chart IX	Comparison of Cost of Building Construction Costs - 1914-1940
	46
Chart X	Cost of Building Materials - 1913-1940
	47
Chart XI	Percentage Distribution of Cost of Labor and Materials and Other Major Items in the Cost of Housework - 1930
	57
Chart XII	Construction Costs by Occupancy Single, Detached and Semi-Detached - 1914-1940
	59
Chart XIII	Income Differences by Race in Selected Cities in the United States
	61
Chart XIV	Unemployment - 1930
	63
Chart XV	General Index for a Sample of Houses
	61

* * *

1000 1000000 1000000 1000000 1000000 1000000 1000000

1. *Journal of the American Medical Association*, 1997; 278: 1029-1033.

on the length of the war. It must be remembered, however, that all of the country's effort is directed towards one type of goods, war materials. There is little doubt that in this effort, United States will far surpass the production record it made in the last war. But still one thing must be kept in mind. The goods produced will do absolutely nothing to increase the standard of living of the people. Bombs, tanks, war-planes and destroyers are all very necessary to win a war, but they are of no conceivable use to the average, honest American family.

This means that when this war is over, the American people are going to find that they have spent a tremendous amount of money and energy to produce goods that do nothing to increase their own standard of living. It also means heavy taxation, strong government control, creation of a depression that might very well be even more severe than the worst years of the past decade. Obviously, preparation to combat it should now be made.

For the past seven years much has been written bringing to light the fact that there is a shortage of housing. Many prominent economists have suggested that new housing construction might steady the way out of the depression. It was not until 1939 and 1940 that any real construction effort was created. At that time it looked as though we were on the way to a building boom. However, the war set in. Our productive efforts had to be aimed towards a different goal. Because of

the shortage of skilled workmen, labor is being directed into the more vital industries. Labor increased sharply in the last six months and appears likely to move even higher. It would seem that for the duration of the war, residential construction will be hampered considerably. This does not mean there will not be an increase in building, because many of the defense housing shortages will have to be met. However, this type of building will be limited and will be much more costly than the real low-cost developments that are needed for the masses of the people. It will not solve the housing problem.

Coming out of this war, the United States will have the same housing shortage that has been accumulating for the past eleven years. Housing, then, can be a weapon with which to beat the post-war depression.

In terms of the quality and improvement of the cars we drive, the highways over which we travel, the educational opportunities that can be had, the present housing development, when compared, proves to be dismally and definitely ineffective. A great bulk of our American people can get cleaner, more comfortable and better living conditions in our saloons, cheap ten cent theaters and public buildings than they can get at home.

Good home-living conditions are definitely a part of the standard of living. Thus, anything that can be done to promote more and better homes will unquestionably help to

raise the standard of living of the people. If, in doing this, the country should also lift itself from a depression, then the effort is one that certainly should be made.

All of this naturally fits in with the rest of the discussion that has been created about the housing problem. There is undoubtedly universal agreement that something should be done and there have been many efforts made to do something, both by the government and private enterprise. Make no mistake, there is need for both these agencies in a successful carrying on of any housing program. Certainly the government should not set itself up as the country's landlord and try to carry on by itself; neither should it use a housing program for some other means, such as gaining more control over business or as an excuse to create public works. There are a great many things that the government can do in promoting more and better building of homes, but there must be a clear understanding of the government's position as to just what is to be its specific field of activity. When it comes to really eliminating the housing shortage, private industry shall have to do the bulk of the work.

Therefore, in bringing together the following work, an effort will be made to define the housing problem. The government's position will be outlined and practical suggestions will be given with ideas workable and applicable to every day conditions.

CHAPTER II

PROBLEMS OF HOUSING

To give any serious consideration to a theoretic on housing, thought should first be given to the problems created by inadequate housing. Many of these are quite old and have been repeated time and again. However, regardless of their timelessness, the truth of the facts have been proven many times over.

Housing, as a problem of human welfare, is as old as the human race itself. Housing for the lower economic classes has claimed the attention of a long line of the ages. Egyptian hieroglyphics, dating as far back as 4,000 B. C., record a sit down strike of the workers who participated in building the pyramids. This resulted in the first attempt to build a model town. From the writings of Thucydides, the ancient Greek philosopher, we learn that housing was one of the chief concerns of the rulers of that era. In Constantinople, under the Byzantine Empire, much was done to improve sanitation and home conditions. In fact, there were more private baths in Constantinople during this era than there were in Boston and New York combined in the eighteenth century. 1.

The housing problem has been a paramount one since the beginning of this country. During the seventeenth and early part of the eighteenth centuries, the main problem was building a home sturdy enough to resist the attacks of the Indians as well as those of the elements.

1. Housing the Masses, Aronovici, Carol p. 11

With the development and growth of cities, the haphazard and planless method of growth, the immigration of many poor European peasants, the housing problem really developed.

It has been estimated that we have in this country about ten million families living in substandard dwellings.¹ Just what is substandard is, of course, difficult to define. When the Editors of "Fortune" magazine made their survey of the housing field, they defined the minimum standard of health and decency as one "below which no American family should be expected to fall". It would not include a telephone, central lighting, central heating or even a bath tub; but it certainly should include healthful and clean surroundings for the building, ample and pure running water inside the house, a modern sanitary water closet for the exclusive use of the family located in the house, enough and large enough rooms to give the members of the family necessary privacy, sunlight, ventilation and dry walls, adequate garbage removal; adequate fire protection, a location within reach of work, a cost not to exceed 20% of the family income.²

In analyzing these standards there is little to be found that might be called excessive demands. In fact, to most people, it is a point of amazement that everyone does not have such standards here in our famous land of plenty. Yet, accord-

1. Ibid p. 14

2. Housing America, Editors of "Fortune" p. 6

ing to Mr. Lawrence Veiller, Secretary and Director of the National Housing Association, we find a description, and much worse. Certain American cities, he tells us, "are, of course, Anconville, St. Louis, Cleveland and others have the worst slums in the world. He points out that we have all of the types of slums that have been elsewhere in the world as well as a number that we create ourselves, such as wholly wrong divisions, overcrowding of land, and the construction of tall tenements which shut out the sun and air. He says houses that are old, dilapidated and crowded, many in need of repair, tenanted with large families, without adequate water supply or sanitary facilities, with children in the yards and living their foul lives in the windows of the tenements and living quarters adjoining them. He adds that the conditions which were found in the old world cities, such as land-crowding, high buildings and a lack of light and air have been unknown in either Europe or Asia."

This is not the opinion of only one man, either, for it is a really common fact, expressed by many authorities interested in social welfare and housing problems. When the very word of "slum" is brought to the Governor in 1900 he pointed out the above conditions very strongly and found that they actually did exist in several cities in New York State.

An entire encyclopedia could be devoted to a description of

the results of class surveys will be very revealing, and the results will picture in very clear manner these desirable and undesirable elements. In nearly every case, the conditions of the slums are well-known and are recognized as such. It is not used to go into the details of the various slums. As, as mentioned in the class material, we must feel that the most pressing problem is the housing problem. We must feel that the individuals of the slums are severely affected. There are no resources available for their particular group. As we move from the lower of the lower and lower-middle class groups, we will find that the housing problem, in relation to their difference in income, is not much better, and, in many cases, far below standard. Thus the general housing problem of America is one of a complete over-crowding. Our housing program must be vast enough that it will enable all kinds of dwelling in all sections of the country to be developed.

THE HOUSING PROBLEM

What is our most well-known are the problems that have been created by the existence of slums and their concentration should be given to them. These problems are created by the slums and slums. As such, the two terms have the same connotation but there is a slight difference. The slum problem is one that has become a social liability to the community, while the slum is a residential area where the conditions of life are so complex that the area becomes a social liability to the city.

Of the two, the slum is, of course, the most costly. The connection between the two lies in the fact that generally blighted areas become slums. The blighted area is widespread. Residential areas, that were once good neighborhoods, lose their desirability from a variety of causes. Encroachment of business and industry, dirt, noise, proximity of certain necessary types of industry, such as slaughter houses, will all cause a good neighborhood to deteriorate. Then there are certain internal changes, such as the introduction of rooming houses into a single family district, the arrangement of the streets in such a way as to prevent proper growth and thus overcrowding conditions.

Another more indirect cause for blighted areas is the automobile and all other methods of rapid transit. This has resulted in the more prosperous element being taken away from the center of the city, leaving a vacuum ordinarily filled by those who are less economically fixed.¹ Of course, obsolete buildings, natural handicaps such as swampy soil, steep hillsides, high cost of taxes, are factors that lend aid to the creation of a blighted area.²

Blighted areas are not in themselves slums. What happens is that the owner of the property finds that there is less demand than previously for his house due to one of the above or related conditions appearing. This means that he must

1. Slums, Large Scale Housing and Decentralization, Conference on Home Building and Home Ownership Vol. III p. 2

2. Ibid. p. 43

It may be that such a thing is needed here.

It is obvious that when housing conditions get so bad and so general, they are beyond the reach of the housing reformer. The reformer soon reaches the stage where he finds that in dealing with unsanitary or dilapidated houses it is impossible to consider them individually. No longer is it a single house, but an entire area. Thus, there is, as Lawrence Veiller puts it, a "civic cancer which must be cut out by a surgeon's knife." It is exactly like any cancer in a human body. If it is caught in time it may be cured, if it gets beyond control it must be cut out by the "surgeon's knife".¹ Slums that get to the point where they cannot be renovated or saved must be eliminated.

These slum areas must be eliminated because they cause innumerable losses, both social and economic, to the nation as a whole. Yet even with this realization of the filthy conditions that exist, no great progressive steps have been made to eliminate them. The government is attempting to do something, but so far, its program cannot be termed successful. Many of the worst slums still exist.

EVILS OF SLUM AREAS

It would not seem inappropriate, then, to repeat some of these evils created by inadequate housing. That bad housing conditions affect health can hardly be denied. Helen

1. Fundamentals of Housing Study, Davies, Joseph H. p. 20

Alfred, a well known and prominent social worker, has found that there is a high correlation between filth, gloom, smells, noises and the tendency toward disease, anti-social behaviour and nervous and physical handicaps of children.¹ Numerous medical and public health journals have pointed out that dampness creates rheumatism and pulmonary diseases. Lack of fresh air has a depressing effect on health and vitality. Overcrowding which favors a lowered vitality is a ripe ground for the spread of epidemics, increases any tendency towards fatigue, retards mentality, creates nervousness and a tendency to headaches.²

The infant mortality rate has been found to be extremely high in bad housing areas. Most studies conclude that, regardless of race stock, the more persons per room and the more families per dwelling, the higher the infant mortality rate. Many diseases are spread as a result of overcrowding or unclean housing. Infantile paralysis, venereal diseases, tuberculosis, typhoid fever and the like have all been found to be more prevalent in the slums than elsewhere. Unclean housing tends to favor the harboring of mice, rats, mosquitos and other insects that are in themselves dangerous carriers of diseases.³

Bad housing also has a very close relationship to safety. The fire hazard is one, for uncontrolled fire can destroy the building and may result in loss of life or tragedy

1. Idem.

2. Idem.

3. Housing and the Community, President's conference on home building and home ownership. p. 78.

to the family. In fact, fire in a slum area can wipe out an entire block with a resulting tremendous loss of life. Fire hazards have been eliminated by most city ordinances and in most new buildings. Slums, however, were built before these ordinances went into effect and thus remain very dangerous fire hazards.

One very important element of any house is sometimes overlooked; it is the effect of the home on the mental well being of the person. An important human value that is sought in housing is the sense of freedom which comes from the opportunity to be alone. Privacy at home is essential for the best mental health of each member of the family. Thus, the crowded home conditions of the slums definitely retards the growth of individuality of personality. Let no one scoff at this for it is an extremely important problem. The entire success of this country is due to the individuality and strong personality of its founders and builders. If there is a condition that stifles the growth of these two elements in a section of our population, it may stunt the growth of the nation.

Mental depression and a feeling of inferiority often result from living in shabby and dilapidated surroundings. The child grows up with that feeling that he is not much good in the world, that everyone is against him, and his whole outlook on life becomes completely perverted. Many families that live in slums for generations seem to lose all ambition towards bettering their living conditions. They would much rather stay

in the slums and move to a better district that is strange to them.¹

Bad housing in itself may not be a direct cause of crime, but indirectly it sets the stage for a great deal of crime today. Since bad housing conditions are usually accompanied by poverty, ignorance, malnutrition and evil associations, a breeding place for crime is developed.

While there is some disagreement as to the exact cause of crime, nevertheless, it has been definitely shown that an exceptionally high rate of crime is associated with bad housing conditions. The slums of Washington, D. C. are said to have a tendency to produce criminals from among the children living there, because the hidden location of these slums offer a refuge to the criminal and to immoral persons who have a detrimental effect on children. The New York Times estimated that about 58% of arrests for crime in Manhattan were made in the borough's eight slum areas.²

There has been, as above, some disagreement regarding the extent to which bad housing produces juvenile delinquency, still most authorities feel that bad housing is one of the many undesirable environmental conditions so often associated with delinquency. According to the President's Conference, studies in Chicago and other cities reveal juvenile delinquency to be most frequent, in proportion to juv-

1. Fundamentals of Housing, Davies, J. C. p. 39

2. Ibid. p. 96

mile population, in those sections of metropolitan areas that are next to the business districts of large cities.¹ This and other data given seem to prove that the slum district is a source of juvenile wrong doing.

One thing that is believed very strongly by most students of social problems is that bad housing conditions, particularly overcrowding, have a direct causal relationship with sexual immorality. When whole families sleep in one or two rooms the morality of the children suffers because they learn secrets of sex at an age when children of well-to-do classes know nothing about it. This overcrowding causes congestion within houses which often makes it necessary for children to live and sleep with adults in intimate relations that are often demoralizing in effect. Children are required to sleep in crowded rooms, brothers with sisters, daughters with fathers and to dress and undress in the presence of boarders and all others in the household.² Prostitutes are numerous in this type of district and they make no effort to conceal their vocation. Very few married couples have a room to themselves, which make it easy for children to learn of the "innermost reserves of marriage."³

Housing unquestionably affects good citizenship for clearly there can never be good citizenship unless men are given every opportunity to exist under decent living conditions.

1. Ibid. p. 146

2. Ibid. p. 144

3. Fundamentals of Housing Study, Davies, J. J. p. 111

Extreme slum conditions foster attitudes of hatred toward society and provide an environment favorable to radicalism. Thus the fifth column menace to America lies not so much in the paid agents of foreign governments as in their sources of material; and these undesirable living conditions certainly do much to create good radical propaganda material.

One other very important effect of bad housing is that industrial efficiency of the worker is very much impaired. Fatigue and ill health resulting from bad living conditions create a tendency for reduced production and shoddy work. Workers are far more efficient if they live under pleasant, healthful conditions, if they sleep restfully in quiet surroundings with abundant fresh air, and if they and their families are contented with their dwelling.¹ These things are not found in slum areas.

It is evident then that poor housing affects a wide variety of social elements. Nor do the few given here cover the field. However, it must not be inferred that housing is the sole cause for all of these undesirable elements, or that the elimination of bad housing conditions will make for a perfect world. Society is far too complex for such a simple solution. What it would do, would be to at least eliminate one of the breeding grounds for these social ills.

1. Ibid. p. 104

THE PROBLEM OF HOUSING IN INDIA

A considerable amount of space has been given to the social problems created by the slums because of the urgent necessity for the elimination of this excess of population in human housing condition. However, this does not mean that the slum is the only problem of housing.

As is obvious, our society is divided into different income groups. There are the very rich, the rich, the moderately well off, the upper middle class, the lower middle class, the poor and the very poor. All of these people must be housed in the available residences of the country. If new building of houses is not as large as the growth of the population or the rate of obsolescence it means that each year the facilities available become less for the group as a whole.

The top groups take their choice of the best in the housing field. The middle groups will get their selection of the remainder. When we come to the poor and the very poor, we find that the number and quality of dwellings available is extremely limited and mainly obsolescent. In this way it can be seen that the problem is not just trying to eliminate the housing for one small group, but that of increasing the entire housing facilities of the nation, reducing the cost of housing and in this way enabling each group of society to get the type of housing to which its income entitles it.

Thus, there has not been enough facilities in the right place to fill demands. This is due to the fact that although there is no shortage of land problem in this country

1. Interpretare a acestor, Convinci, U. . 14

down in sections prevents any increase in valuation of residential property due to increased location. The committee would also advise assessment valuations are based on the characteristics of the residential development of the lands across the road from the residential property.¹

The reason for this is that land, which is used for residential purposes, is valuable for the location of the residential property. When a factory is built on the land, it will have an influence upon the value of the land and the residential property. Thus, the building of a factory on the land in an area of single family dwellings will reduce the desirability of the neighborhood and the value of the land, especially those adjacent to it. Further, the construction of a factory, a store, a gas station, or any other element disturbing either the character of the neighborhood or its quiet, peaceful safety or even its atmosphere, will detract from the residential value of the neighborhood and each individual site.²

Furthermore, this is a factory which is located on a site and where realized. The knowledge has resulted in zoning laws, private-land restrictions, restricted land control, and other measures and other restrictive legislative legislation. This knowledge has been especially shown in the case of the development of the adjacent areas to land or commercial property.

1. Ibid.

2. Ibid. p. 15

This is exactly what has happened in the slum areas. The stores, stores and other developments have grown up in the center of the city. The development of these facilities reduces the desirability of these areas for residences. With the industrialization of these areas, we find that land values increase. The only way to overcome these conditions is to obtain an income on the land as to house more families. It is not feasible to build new facilities because of the cost in the district. Neither is it economic to develop or improve the present facilities because of the increased investment in the land. As a result, a first class slum is born.

There are many good examples of such intensive cultivation in every large city in the country. In New York there are some classic comparisons of excessive land values with the use of the land. A block between Third and Fourth Streets and between First Avenue and Second Avenue is assessed at from \$15 to \$20 per square foot. Assuming \$15 to be the correct price, it would make this area equal to a total of \$1,800,000. Under normal apartment house conditions, this area could house about four hundred families. This would make the per family investment in land \$4,500. Allowing for a normal income from the investment, the rent per family just for the land alone, exclusive of any building, would have to be almost \$40 per month. The rent that any one of these families can pay is about \$12 to \$15 per month. Thus, on an

area that should house only four hundred families, there must be about sixteen hundred families in order to pay off the investment.

Hence, it is obvious that slum areas like these are not economically feasible. There must be removal in spite of objections from those holding interest in such land. We have the government attempt to clear out these areas and replace them with new projects is a task that is almost impossible and land costs are far too excessive to permit it. What will have to be done is to develop low cost projects on land that is relatively cheap and yet sufficiently near the city to enable easy transportation. In this way these projects can compete with these low rent districts and their better facilities will draw families out of the slums. When it is found that income is reduced, these dwellings will be torn down. Also, working in conjunction with these developments should be the enactment of local legislation that is reasonable, yet would insure proper sanitary, safety and lighting conditions in all dwellings. Such legislation would require renovation of these houses, which would increase their difficulty of competing with properly operated low cost projects.

REMOVAL OF LARGE-SCALE AND RESERVATION OF LAND

It is evident then that before any building project is cleared, we have the problem in land valuation. Specula-

idential building field, it would have to be in a construction materials company. There are no large companies founded for the purpose of promoting large scale residential building. Yet, there is no reason why there shouldn't be companies of this nature. It is a field as yet untouched but having great possibilities. Further consideration to such an enterprise will be given in the final chapter of this thesis.

THE PROBLEM OF HOUSING

Perhaps one of the biggest problems facing the housing field today seems to be one of money. Why is it that people can go to any extreme to pay off in one or two years the notes on a thousand dollar car at very high rates of interest, yet, when it comes to paying off a mortgage on a house, the holder runs into terrific difficulties, so that eventually, as in 1933, the government had to step in to alleviate the condition.

Like practically everything else in the housing field, housing finance has lagged behind the financing of many other enterprises, and the hazards involved seem to have developed methods of financing that have burdened housing with finance costs that are out of proportion with the rent paying resources and buying power of the public.¹

1. Idem.

In the "Financial Survey of Urban Housing" published by the United States Department of Commerce in 1937, it is interesting to note that the average ratio of mortgage debt to the value of the property for the fifty-two cities surveyed was, on Jan. 1, 1934, 60.4% for rental dwellings and 55.6% for owner-occupied dwellings.¹ It is also interesting to note that the mortgage takes in more than one half the value and that the mortgage on rental dwellings is higher than for owner-occupied dwellings. This might be due to the fact that the income from rental dwellings has not been sufficient to pay off the same ratio of the mortgage.

INTEREST RATE TOO HIGH

One of the chief complaints in the housing field has been the fact that the interest rate is very high. It is not so much that the quoted interest rate itself is high, because generally it doesn't run much over 6%. What the difficult factor is, is that the ultimate cost of a house includes not only its construction investment and other charges inherent in ownership but also the rate at which money can be obtained in the market. It is usually impossible to ascertain what the actual rates of interest are, because the picture is often befogged by all sorts of charges in the loan, which tend to conceal the rate of interest. Also there is generally included a heavy financing charge upon which interest must be

1. The Financial Survey of Urban Housing, Department of Commerce, 1937 Table III.

Besides the low rate, the important factor to note in the above schedule is the graduated scale as applied to families of various sizes. This is indeed an idea strange to this country, but it is a pretty sound principle. Larger families are less likely to move from a dwelling once purchased than are smaller families. Also, reduction of interest rates enables the larger family to secure the proper number of rooms required at the monthly charge it can afford to pay. This is shown in the cost per room chart. From an economic standpoint the family of six presents more prospective purchasing power to the nation than does the smaller family in the same income class.

In comparing our interest charges with the rates of the French private lending agency, there is obviously something wrong. The argument may be raised that there are more sources available for investment in this country, and this is true. However, there is also a great deal more investable capital available here and certainly, it does not seem that there should be this difference in rates.

Thus, it is not difficult to realize that rental rates or the ability to acquire and pay for a home is affected by the costs that must be charged against interest. This is shown particularly well in the "Rent Tables" published in 1937 by the New York City Housing Authority.¹ In this chart there

1. Rent Tables, Vol. 1, Charles F. H. H. Housing Authority by the N. Y. C. A.

is assumed a period of amortization of forty years. Variations in interest rates are used as a basis in calculating rents. There is also taken for granted the fact that in any large development there would be some benefit derived from their rental which would help reduce the residence rentals. In this particular case, fifty cents is deducted from the rental of each room. This allowance is very liberal.¹

RENTAL CHARGES FOR ONE ROOM AT VARIOUS RATES OF INTEREST

(Cost per room, \$1,200)

Interest rate	Rent per month per room	Interest rate	Rent per month per room
No interest	\$ 6.96	5%	\$ 8.88
1%	.73	5%	9.25
1½%	7.84	4½%	9.64
2%	8.17	4½%	10.04
2½%	8.52	5%	10.46

Chart I

It is easy to see that there is considerable difference in the rent of one room for a month at 2½% and one at 5%. For a normal sized home of five rooms, it means a saving of approximately \$10 per month. Considering that most mortgages are placed at 6%, it means a saving of about \$12. Thus, with a lower interest rate an entirely different income group could occupy this same house. This money problem then assumes

1. Housing the Masses, Aronovici, C. p. 80

serious proportions.

LACK OF INVESTMENT OF PRIVATE FUNDS

There is unquestionably a lack of private investment in housing and the following reasons suggested by Carol Aronovich seem to be quite pertinent.¹

- "1. The interest rates at which money is obtainable from both public and private sources are too high to encourage building for the families affording the largest housing market in the United States.
- "2. The upper brackets of home purchasers find a saturated market, i.e. housing of a higher price had been oversupplied during the boom period preceding the depression, which created comparatively low prices as compared with the cost of construction and building costs, since recovery started on its upswing.
- "3. Banks and insurance companies have not yet unloaded all of the bad investments they made during boom times, and there is no way of unloading without writing off more than it would seem safe to do in a short period of four or five years.²
- "4. Incomes have not yet become sufficiently certain and steady or normal to encourage investment in small homes.
- "5. A considerable number of workers, who, under normal conditions would have become home owners, have in the last nine years dropped out of the market, either because they have become dependent on government relief, or because they have become unemployed due to age, technical changes in their trades or other conditions.

1. Ibid. p. 95

2. This problem has been relieved considerably since the publication of Aronovich's book in 1939, but it is true many banks have a considerable amount of property on hand that is nowhere near the value of the mortgaged.

"6. The hazards and losses which have pervaded the real estate business after the crash have created a psychology regarding investment in real estate which will require a much longer period of time to be forgotten than we have passed through so far."¹

This last is a very important point because there is unquestionably a feeling about real estate ownership that is not healthy and does not help the revival of construction.

Many feel that real estate is not the best investment on the market. Perhaps a fear of inflation created by our war economy may overcome this factor and cause people to invest in new houses because such a thing is at least tangible property.

1. Idem.

CHAPTER III

CONDITIONS FAVORABLE AND UNFAVORABLE TO THE CONSTRUCTION

FAVORABLE FACTORS

A NEED FOR MORE RESIDENCES

That there is a need for housing in America can hardly be denied. Slums have always been the festering sores of cities such as New York, Chicago, Boston, etc. and must sooner or later be cleaned out. But more than this, we have a need for housing running throughout the entire country. Urban and rural districts would do well to have their residential faces uplifted.

In applying the minimum standard of decency to homes in America we would find that about 75% lack some one of these standards. Yet, housing is an industrial problem as well as a social one, and it seems to be the one field wherein American enterprise and ingenuity have failed. It is the one important field in which America should not fail because no product of American industry affects the welfare of the country as a whole more than poor housing.

The members of the building industry seem to be hamstrung by traditions, customs, distribution and trade union set ups that are of the nineteenth century variety. It has neglected to apply to its world the statistical and organizing technique that other industries have been using for a century.

By not studying its market, it has lost sight of the fact that two-thirds of American families do not have incomes

over \$2,000.¹ Instead, it has continued to build houses that are out of reach of its potential market, or has forced them to pay a price out of proportion to their income, thus restricting expenditures in other fields. This also means that the building industry depends on only one-third of the population for its distribution. It has failed to reach a market which, exclusive of families living on farms, amounts to 14,500,000 or 15,000,000 families. If the industry can build a good home (not a four room frame shack) for \$4,000, it would add 60% to its 1931 sales. If it could build a good house for \$3,600, it would double its 1920-1929 output and even invade an untouched market.²

Obviously, this means a great deal to other industries as well. In the first place, if the American family spends less on housing, there is going to be additional purchasing power available for expenditures in various other industries. This, of course, is indirect. Directly, the building industry affects the lumber, stone, brick, tile, paint and glass industries, because it is the largest consumer of these products. When you then consider the effect it has on electricity consumption, home furnishing, steel employment, etc., it can be seen that the industry is a key piece in our economic jig-saw puzzle.

Its failure, then, is the concern of all industry.

1. Figures from the Dep't of Commerce, Bureau of Census, 1930.

2. Op. Cit. p. 27

Arguing that industry or the government can do to eliminate hindrances, such as, the inefficiency of management, real estate speculation, exorbitant methods of financing, monopolistic labor unions and materials companies, complicated and foolish building codes, taxes, etc., should be projected strongly by them.

The past ten years have witnessed the greatest slump that the building industry has ever encountered. Chart II shows how this has occurred graphically. This chart is based on actual residential construction figures. From a high point of 841,000 units in 1926 it dropped in eight years to a low of 62,000 units. In other words, the year 1932 was 7.3% of its 1926 high. Chart III takes into consideration the growth in population and it shows the relationship above and below normal. This brings out more vividly the practical shut down of residential construction and its subnormal trend during the past ten years. Fortunately, the trend for the last five years has been sharply upwards. Still construction for ten years has been running below normal replacements, and this can mean only one thing, a shortage of homes.

The normal line for chart III is based on the assumption that a growth in population would require an additional amount of housing. Inasmuch as the basic construction figures given are those for dwelling units constructed in non-slum areas, it is necessary to record the growth of population in

NUMBER OF DWELLING UNITS STARTED ANNUALLY IN MCI-AREA AREAS

1910 - 1946 (Inc.)

Number started
(1000 omitted)

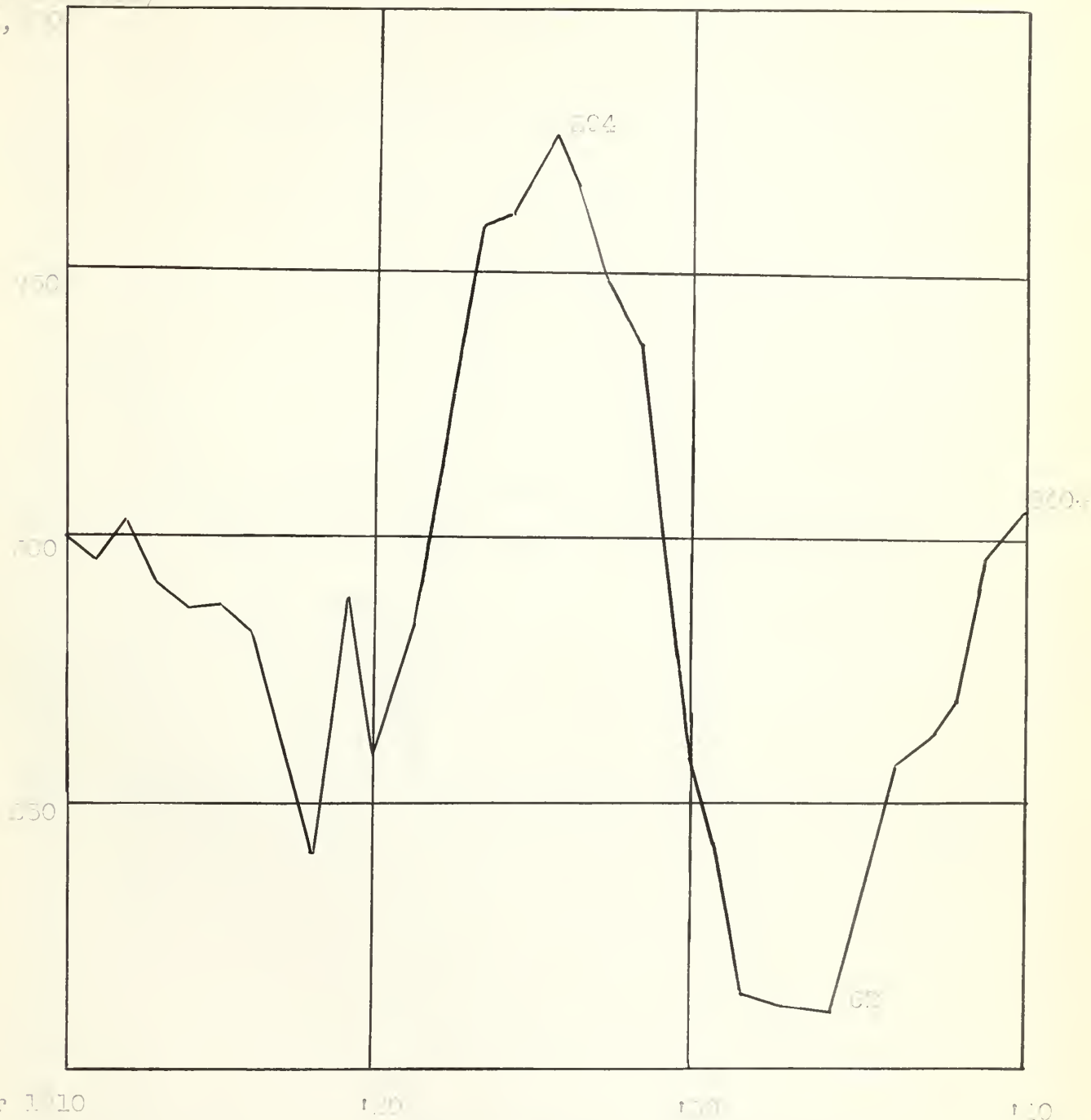


TABLE III

Source: Bureau of Census and Domestic Commerce, ()

*(Preliminary estimate by Census Bureau, 1946)

INDEX NUMBERS OF DWELLING UNITS STARTED ANNUALLY IN NON-FARM
AREAS 1915 = 100

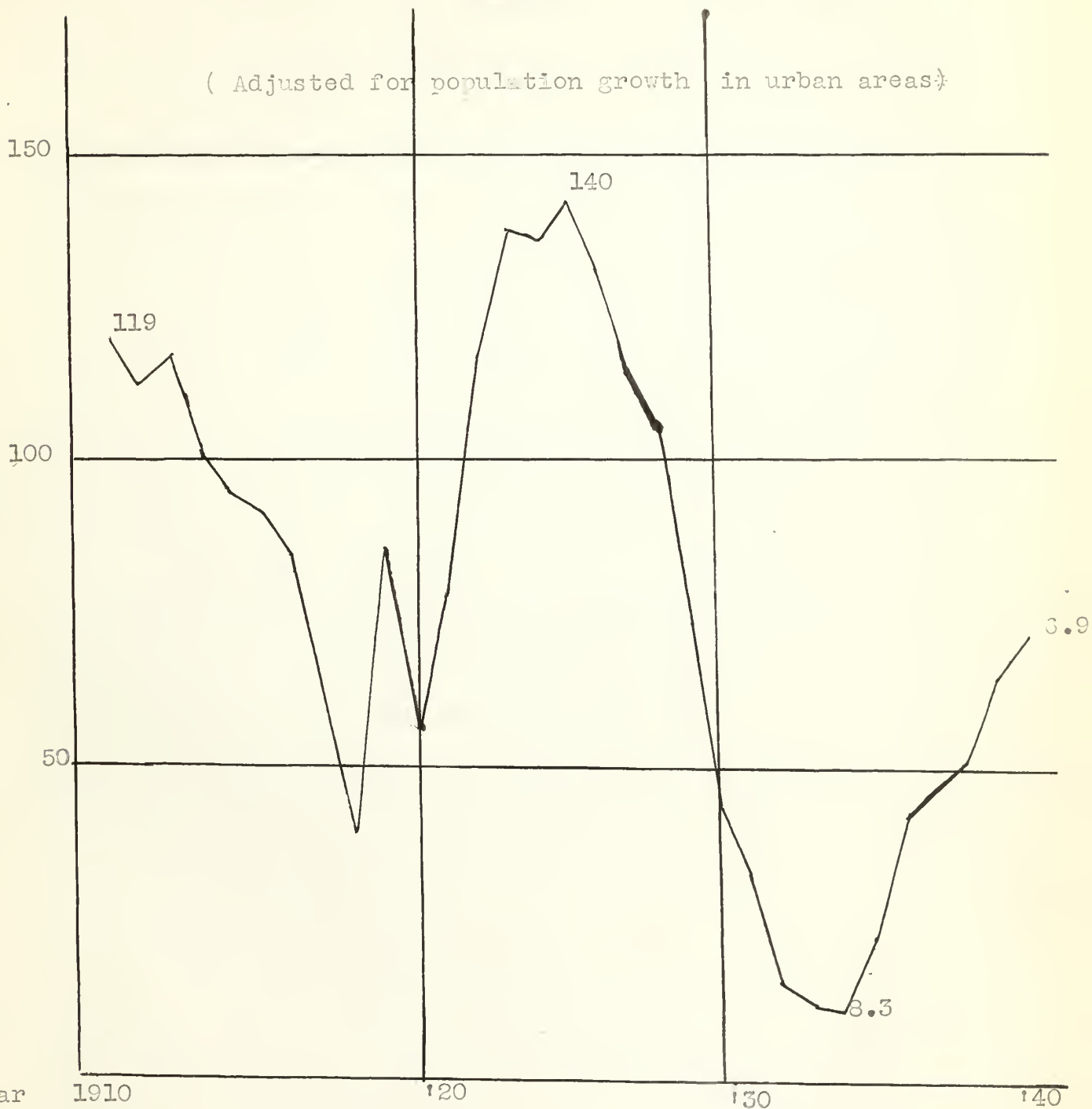


CHART III

Source: Based on Figures in Chart II p. 33 A

in the urban areas and not in the farm districts. Then, taking the basic population figures for the decades, 1910, 1920, 1930, and 1940, it is possible to determine the number of inhabitants in urban areas and the rate of growth between decades can be computed. By dividing each of these three percentages by ten you have the rate of growth per year for each decade.

Our normal figure for 1940 should be approximately 754,000 units constructed. Actually, it was only 59% of this figure or 540,000 units. On an average for the past ten years we have been running about 470,000 units per year short of what new construction should have been.

Of course, the answer to these figures is that fact which has been stressed all along; namely, that construction of new homes is for only one third of the population. The bright spot in this whole picture is that the cycle is again on the way up. The war will hamper construction of regular dwellings, but if the proper policies are followed, this emergency period can be used to promote a real housing boom at the close of hostilities.

The latest census figures shed further light on the amount and type of need for housing. Where a house is built for people to live in, then any change in the number or character of the population will have its effect on the housing industry. Thus, the census results to date would seem to

indicate the following findings of importance as interpreted by the Federal Home Loan Bank Review.¹

1. For the next ten years we may expect an increased potential demand for homes as the number of persons in marriageable ages will be considerably larger than in past decades. This is based on the results as shown in the following chart.

Chart IV

PERCENT CHANGE IN POPULATION BY AGE GROUPS

Age	Percent	Age	Percent
Under 14	Decrease 2	25 - 29	Increase 3.
14 - 19	Decrease 4	30 - 34	" 21
20 - 24	" 2	35 - 39	" 16

New marriages have a most important bearing on housing need and although they are usually postponed during the depressions and accelerated during prosperous times, marriages in the long run are largely determined by the number of persons of marriageable age. According to preliminary census data, the number of persons most likely to marry in the early years of the present decade are persons in the age from twenty to twenty-four years, numbered 11,560,000 (both sexes)

1. Federal Home Loan Bank Review, Federal Home Loan Bank Board, March, 1941. p. 181

in 1900. It increased to 20, 40,000 in 1920. The number of persons aged 15-19 years in the latter part of the present decade, however, were from 16,000 to 17,000 years (15-19), numbered 14,000, 40 (100% increase) in 1940. 14,000,000 in 1940.

2. The type of family unit is also affected by the phenomenon of an "aging population", that is, a population containing a greater proportion of older people and a smaller proportion of younger people.

This is shown in chart IV in which the age groups 45-64 and 65 and over show the unusually large gains of 21 and 35% respectively. On the other hand, the number of children under 14 decreased 6%. This "aging" population is also brought out with the following figures which give the median age of our population for the past six censuses.

Chart V

MEDIAN AGE OF POPULATION ¹

1890 - 1940

Year	Median Age
1890	21.4
1900	22.9
1910	24.0
1920	25.2
1930	26.1
1940	27.3

1. U. S. Census, from "Annual Report on Health and Vital Statistics", March 1941, p. 132

After 1950, the aging of our population due to lower birth rates and improving mortality rates will undoubtedly have important effects on the types of living quarters required. The older people will want smaller residences and away from the city, in areas of favorable climate and lower living costs.

3. From 1930 to 1940, the number of families in the United States increased more than twice as fast as the total population, accompanied by a considerable reduction in the average family size. On April 1, 1940, the number of private households in the United States was 34,360,000 of which 20,600,000 or 59.1% were in urban areas. The number of private households in the United States increased 15.3% during the past decade against a population growth of only 7.2%. In view of the number of persons who will reach marriageable ages within the next ten years, it is only reasonable to expect that the number of families will continue to grow at a faster rate than the total population. With the shortage in housing that has occurred over the past decade, this fact can mean only one thing. New homes must be built to take care of these new families. However, the average size of the family has

been declining and is likely to decline further.

This is a continuation of the trend shown in 1930 and the decreasing birth rate means further reduction. Naturally, a change of this sort means that with smaller families, the tendency toward smaller residences will be more pronounced than ever.

4. The proportion of urban population to total population increased rapidly until 1930 and remained static in the past decade. Continued urbanization in some areas was offset by de-urbanization in other regions. For the first time in a hundred years, the last decade appears to have brought a halt to the progress of urbanization, which has accompanied our industrial expansion in the past. From 1820 to 1930, the proportion of urban population to the total increased steadily from 7.2 to 36.2%. In the past decade this proportion was raised only to 36.5%, a negligible gain when compared with preceding periods.

Chart VI

POPULATION IN U.S. - PERCENT OF TOTAL POPULATION
1820 - 1940

Year	Percent	Year	Percent
1820	7.2	1890	31.1
1830	8.1	1900	31.8
1840	11.0	1910	35.5
1850	15.1	1920	31.2
1860	19.0	1930	36.2
1870	23.2	1940	36.5
1880	26.2		

5. A net addition of over 3,000,000 occupied dwelling units in urban areas during the last decade suggests that the housing supply through new construction was supplanted by the extensive conversion of large dwellings into smaller units - a factor usually neglected in current statistics.

Chart VII

Estimated Housing Units in Urban Areas, 1940-1950 .1

April 1, 1950

Item	Total 1940 Estimated	Urban 1940 Estimated	Percent Urban Total	Total 1950 Estimated
Old dwelling units	27,507	11,227	40.8	18,113
Occupied units	26,808	10,800	40.1	24,126
Vacant, for sale or rent	1,304	427	32.7	1,011
Percent of total vacant	4.8	4.3		4.2

Comparing this data with the 1940 figures, we find a net addition of approximately 7,000,000 occupied dwelling units during the last decade. The gross addition was approximately in excess of 10 to 12 million units. It is estimated that each year about 50,000 dwelling units in urban areas are destroyed through fire, flood, warfare, or other catastrophes. This would mean that 5,000,000 were added.

Total new construction during the decade amounted for only 1,700,000 units. The difference of 2,000,000 units is probably due to the following reasons:¹

1. Urban vacancies in 1940 were far lower than in 1930. They were 9% as compared with 12% in 1940. In 1941 the estimate was placed at 8%. This change would account for 500,000.
2. The supply of new units was undoubtedly supplemented by the large number of conversions of single family homes into two to four homes, and by making large apartments into smaller ones. Economic conditions and smaller families forced this result. However, there is not now available a great number of houses that can be so converted.
3. The increase of urban dwelling units is partly due to the reclassification of smaller communities from "rural" to "urban" groups. This comes about when small communities grow beyond the 2,500 population limit which is the dividing line used.

TRUST RATES LOWER

There is still another factor, which, although not completely solved, nevertheless, is in a far better condition

1. Cleveland Trust Bulletin, Feb. 15, 1941, Cleveland Trust Company.

seen at any previous time. In the first quarter it was seen how important a low interest rate on mortgages can be. Prior to 1932, the effective average interest rates in the country ranged from 5.4% in Syracuse, N. Y. to 8.7% in Butte, Montana. The average for the country as a whole was 6.82%.¹

The money problem of housing then can be summed up as high interest rate, concealed expenses, short mortgage periods and insufficient coverage. In an effort to solve these questions, the National Housing Act was passed in 1934. Throughout the discussion of the bill it was pointed out that, from the standpoint of the home owner and wage earner, a debt incurred to obtain things for current use and consumption, if it cannot be paid periodically out of current income, must be met at some future date in a lump sum. The self-liquidating character so desirable in a commercial loan can only be approximated in an individual debt by the device of small current periodic payments in the form of amortization.²

Insufficient coverage was shown in present mortgage loans, by the practice of financial institutions loaning only 40 or 50% of the appraised value of the property upon a short term instrument, usually five years, and payable on maturity.³

To the lender, this method of placing a mortgage is quite logical. Real estate values sometimes fluctuate so much

1. Op. Cit. p. 22

2. Hearings on National Housing Act, May 13 - 24, 1934 p. 16

3. Idem.

that even a 30% loan is not safe. A short loan would also seem to insure greater safety. However, such a practice meant an extremely large down payment or, if this were not available, recourse to a second mortgage, with interest rates on this type ranging from 14 to 20%. Obviously too, this time limit meant that in a period of a financial crisis, renewals were not possible and loans were foreclosed.¹

Therefore, a sound instrument, from the standpoint of the borrower, is one which enables him to consolidate his entire obligation in one mortgage and which does not confront him with the perils of refinancing, but which does allow him to pay off his principal in monthly payments, within his earning capacity over a reasonable period. From his standpoint, a ten to twenty-five year amortized mortgage at reasonable interest rates is the only sound method by which he can acquire the socially desirable status of a home owner.

It is of benefit to the lender in that the necessity of a second mortgage financing imposes such an additional burden on the borrower that it seriously impairs his ability to meet his first mortgage obligations.

To promote this need the National Housing Act set up a system whereby the loans of accepted institutions made under certain principles would be insured by the newly projected Federal Savings and Loan Corporation.

Under this plan, a mortgage to be eligible for insurance must conform to the following recognized standards of

1. Idem.

sound mortgage practices:¹

- "1. The mortgage must be a first lien on an owner-occupied dwelling. (Certain exceptions are made in the case of slum clearance and low-cost building projects.)
- "2. The mortgage must be held by an acceptable mortgagee capable of servicing it properly.
- "3. The mortgage must provide for regular amortization until the loan is completely retired. In general, this amortization period will not be more than twenty years. A longer period may be desirable, however, on properties of exceptionally stable value.
- "4. The mortgage must be of such a nature that the insuring of it by the corporation is beneficial to the mortgage market as a whole. It must conform to standards of character, and income of the mortgage as set by the board of the Corporation.
- "5. The mortgage must be for an amount not in excess of 80% of the appraised value of the property in the case of new construction or 90% of the current appraised value in the case of existing dwellings.
- "6. The net interest return to the lender must not be in excess of 5%, except in communities where the Corporation authorizes it to a maximum of 6% if necessary to attract mortgage funds to that section.
- "7. The interest rate may be changed from time to time by the Federal Board. At present it is 6%."

The passage of this bill was indeed been a forward step in promoting housing finance. It can be considered a favorable factor in promoting the sale of new residences. Although it did not succeed in reducing the specified interest rate on mortgages materially, it, nevertheless, accomplished

1. Ibid. p. 18

a great deal of good in fields where it was really needed. In the first place, the Act has eliminated that very risky procedure of short term mortgages requiring 100 monthly payments and the necessity for refunding. The twenty year amortisation plan should unquestionably be a boon to future housing development, because of the lower monthly payments that are required. When the proper sort of house is developed that can be sold for around 3,500, it means that the monthly payment for such a house on a 75 or 80% coverage will be far less than the rental charge for similar facilities.

The inclusion of taxes and other vital charges in this periodic figure aids in showing clearly what the operating expense for the home will be. It also serves as an excellent collection plan for the municipality and prevents many foreclosures due to delinquent taxes.

If further revisions or reductions are made in the interest rate, then the home mortgage finance field would greatly be strengthened. This could probably be done in many ways. Imitating the French system, it could set up a sliding scale based on the size of the family, i. e., a family of two could pay 5%; a family of three, 5.5%; a family of four, 6%, etc.

Another method would be to use a varying rate of interest based on the down payment or the amount of coverage of the mortgage. This plan would have to apply on dwelling

in the low-cost field or up to \$7,000, where the amount of fluctuation in value is less severe.

If a man buys a home for \$4,000 and pays a down payment of \$2,000 with a twenty year mortgage for the balance, then there is no reason why he should pay 5 or 6% interest on the balance when another man has a down payment on the house of only \$1,000 and carries an 80% coverage. Certainly, a 80% coverage presents a very minor risk compared with an 80% one. There is far less chance of the lender losing anything on a mortgage of this sort. Therefore, his interest rate should be proportionately less.

Another method of reducing interest payments could be used by having a sliding interest scale based on the length of time the mortgage has been in force and provided that the principle has been paid off in part. For instance, a mortgage that has been in force five years with payments made regularly and not transferred would have its interest rate reduced from 5% to 4 3/4%. After ten years it could be reduced to 4%, etc. The rate set and the time limit is only arbitrary because it would depend on the amount of depreciation the house would undergo, but it is a proposal that could easily be made practical.

Therefore, the conditions favorable for a housing boom lie in the terrific need for new residential building that has been built up during the past decade and in the more

favorable position occupied by the financial market with relation to mortgage conditions, rate and further improvements that can easily be made.

UNFAVORABLE CONDITIONS

In spite of all that has been written during the past ten years about the evils that exist in the housing field, practically little has been done to alleviate them and, with some, the situation is even worse than it was before.

HOUSING LACKS ECONOMIZATION

Housing, unquestionably, costs too much. Yet, a dwelling is only a combination of design, machine, craftsmanship and distributing energy, much the same as any other commodity we buy.

This combination, then, should be made more effective. Still, no one measure can produce a solution. The reason for this is that housing is made up of land; the improvement of land, i.e., roads, utilities, etc.; building materials and equipment; labor both in manufacture of equipment and of the house itself; financing; supervision and overhead; sales and advertising expenses.¹ The cost of each of these is in excess of what it should be.

Many of these excessive costs were created by the set-up of the present housing industry. In 1929, there were

1. "Survey Graphic", Growing Pains, Parsons, R. W., Feb. 1940. p. 66.

8,939 wholesalers of building materials and furnishings, employing 120,124 persons; 116,119 retailers employing 477,360 people handled some of the wholesalers' line. Then there were 144,396 contractors and sub-contractors, 2,384,337 skilled building workers, 439,935 apprentices and laborers, 22,000 architects, 102,008 civil engineers and surveyors, 100,450 designers and draftsmen, 240,030 real estate agents and officials, or a total of 5,514,500 people directly concerned with the building industry.¹

Breaking these figures into types, we find that there were 135 types of manufacturers, 24 types of wholesaling or jobbing distributors, 22 types of retailing distributors, 34 types of contractors and 27 types of organized skilled and unskilled labor involved in the production of the dwelling itself.²

This present set-up in the building industry has only become established in the last two generations. Before that every community of any size had an entrepreneur of housing, the local lumber dealer and planning mill who could supply virtually every item that went into making the house. The millwork of making doors, windows, sashes, etc., would keep the workers busy in the slack months.³

Soon, however, piped water, sewers, gas, electricity,

1. Ibid. p. 67

2. Idem.

3. Idem.

central heating and plumbing appeared. Had the lumber dealer been sufficiently enterprising he would have absorbed these new requirements. He did not, with the result that a score of new little businesses appeared, the plumber, steamfitter, electrician, tiler, roofer, sheet metal worker, and innumerable others. These all set up separate stores, separate sales organizations, new bookkeeping and collection personnel, with the result that tremendous increases were added to the cost of building.¹

The result has been that housing construction has become the big "little business". Large is the total figure of the industry but small is the individual organization.

Housing might have been able to survive this complicated production and distribution mechanism if the industry had broadened its market beyond the 40% of families who can afford to pay 400 or more per year for rental or carrying charges. This might be seen in the following figures giving the distribution of urban dwellings in the United States by rental groups for the year 1930.²

Chart VIII

<u>Groups by</u> <u>Annual Dollar Rental</u>	<u>number of</u> <u>Homes</u>
Under 120	12.7
120 - 179	10.3
180 - 239	10.5
240 - 359	20.6
360 - 599	25.8
600 - 899	12.2
900 - 1199	2.8
1200 - 1799	1.8
1800 - 2379	0.4
2400 - over	0.4

The median
rental is
\$25.00
annually.

1. Idem.

2. The Evolving House, Lewis, W. C. Vol. II p. 119

Thus, we have a big industry making a product that can be taken only by two-fifths of its potential market. This is because the set-up of the industry is so broken up that no unifying methods of production can be installed. In a typical New England cottage town of 1000, costing \$10,000, there are 506 separate items of materials and labor with 28,004 parts that must be handled.¹

The obvious solution then would seem to be a return to the original plan of one local entrepreneur of housing, thus placing under one overhead and one profit all the elements required. In this way he could, not only supply the materials, equipment and labor for building a house, but in some instances could maintain a real estate, building, loan and mortgage department with his customers. Such an entrepreneur could do much with prefabrication, and could benefit labor by keeping them working during the winter months on inside mill work.

LAND DEVELOPMENT COSTS TOO HIGH

Perhaps one of the biggest unfavorable factors that still remains in force is the cost of land development from the raw agricultural land to the point where it is ready to have a house built on it.

Many times we have seen an advertisement in our local paper showing a new development with lots for sale at

1. Cp. Cit. p. 42

300 to a 1,000. This will attract many who do not realize how small the lot will be or what the cost of the same area was originally. If they knew that the primary cost of this very land was only a fraction of the advertised amount and how its ultimate cost grew, there would probably be less interest shown in the proposition.

What seems to have been the general situation in the past was that a knockabout and high pressure broker with a small bank balance looked around for a likely location in the suburbs. Through a local real estate dealer he discovers that a certain farm on the outskirts of the town is for sale at \$3,000 an acre. One-third is paid in cash and the rest on mortgage. Included in the price is fee #1, the real estate fee of 5%.

Next, the promoter must borrow additional money for development and this is added to the two-thirds already on mortgage. A survey must be made and lots laid out. For this, an engineer's fee is paid. Then comes the contractor who divides the lots, installs streets and sidewalks. Also, one-third of the land must be used for these improvements and the cost of this one-third is added to the remaining salable land.

The landscape architect appears and sets up some trees and a few other additions. For this fee #4 is paid, which is about 2% of the land cost.

Finally, the land is ready for sale. The promoter

then hires a high pressure publicity man who receives fee #5. Fancy colored folders, literature and newspaper advertising makes up fee #6. He then hires a real estate selling agent who works on a 40% basis and another fee is added. The land is then sold and, in all probability, the first buyers will be speculators who have no intention of building but who feel they can obtain a profit on a resale.

Thus, the cost of an acre of this ordinary farm land would have increased in the following manner:¹

	<u>per available acre</u>
1. Original cost of raw land per acre including 5% broker's fee	5 000
2. One third of land set aside, thus saddling rest of land with this expense	1 500
3. Engineer's fee, equalling 10% of land costs	450
4. Improvements (streets, sidewalks etc.)	3 000
5. Contractor's profit of 10%	300
6. Landscape costs (2% of land costs)	112
7. Publicity costs	100
8. Advertising campaign and agency's fee	300
9. Promoter's interest on mortgage and all capital invested 6% for 3 years	2 520
10. Bonus for funds borrowed 2%	250
11. Promoter's profit of 100% on original raw land	4 500
12. Selling agent's cost and fee	3 000
13. Total cost	<u>25 362</u>

Obviously, these costs for land development are out of proportion to the value received in the land. There are too many hands through which the land must pass before it is made available to the public. This, however, is but one of numerous factors in housing that are out of kilter and in need

1. Housing America, Editors of "Fortune", p. 61

correction.

THE COST OF LIVING INDEX

Perhaps the one place in the construction field where costs have skyrocketed is in the building of the home itself. To obtain a clear picture of this, Chart D compares the cost of living with the cost of construction in an over a period of twenty-six years.

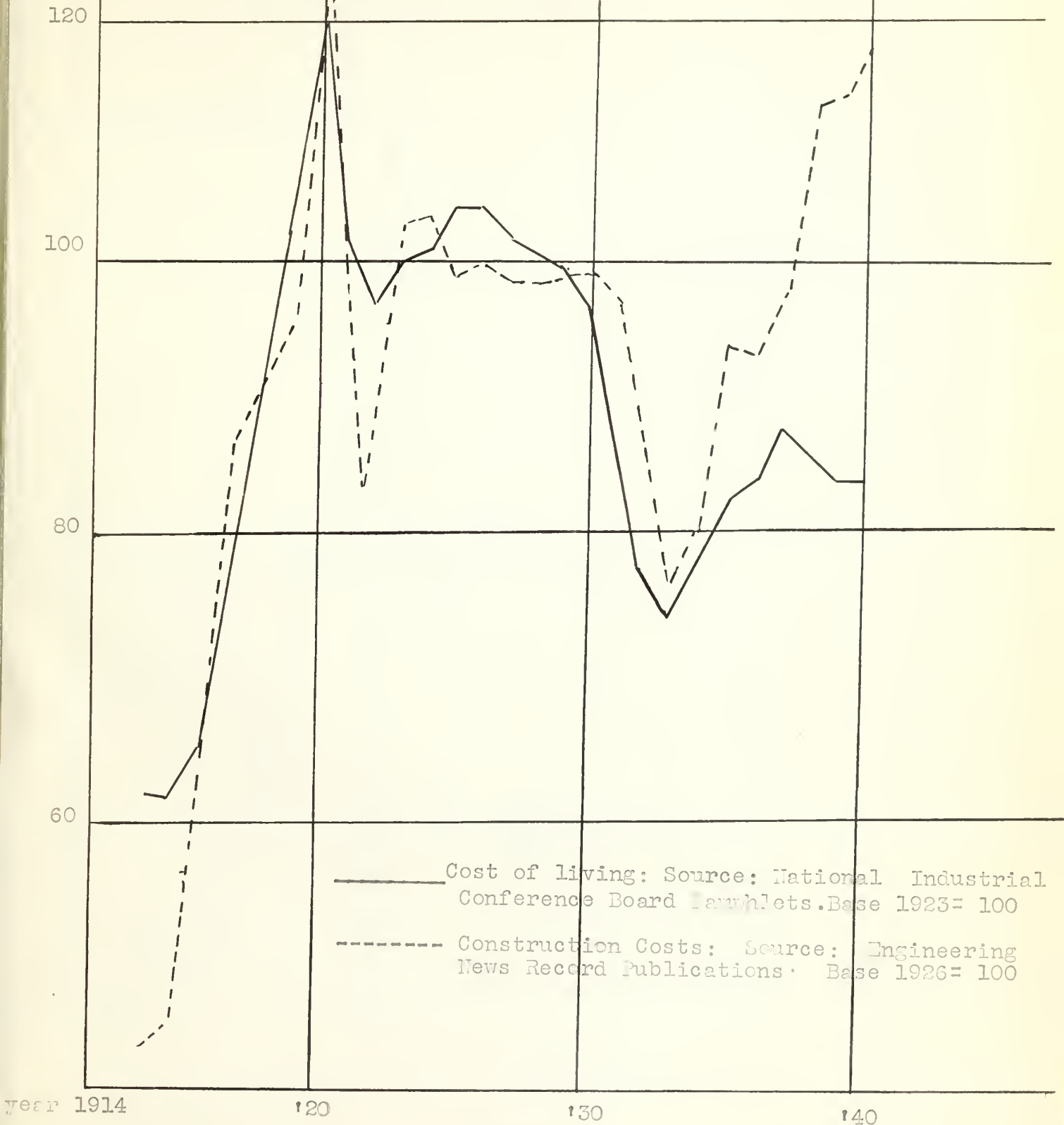
It can be seen from this chart that from 1923 to 1931 construction costs and the cost of living were on a fairly even level, but in 1940 the cost of living index is 14 points less than in 1931 while the cost of construction is almost thirty points higher. In fact the 1940 index is the highest on record with the exception of the year 1920.

The remarkable thing about these figures lies in the steady rise that construction costs have incurred during the past seven years. This, in spite of the fact that the amount of construction has been slow in volume and is now where near the 1925 level.

Construction costs are, of course, made up of two basic things, labor and building materials. Building materials, although not increasing as much as labor costs, nevertheless, have risen considerably. This is hard to believe when we consider that competitive bidding for a common market should force prices down. However, this is not the picture when we look at the trend of building materials as shown in Chart A.

COMPARISON OF COST OF LIVING WITH CONSTRUCTION COSTS 1914-1940

Index numbers



— Cost of living: Source: National Industrial Conference Board Pamphlets. Base 1923= 100

- - - - - Construction Costs: Source: Engineering News Record Publications. Base 1926= 100



COST OF BUILDING MATERIALS 1913 - 1940

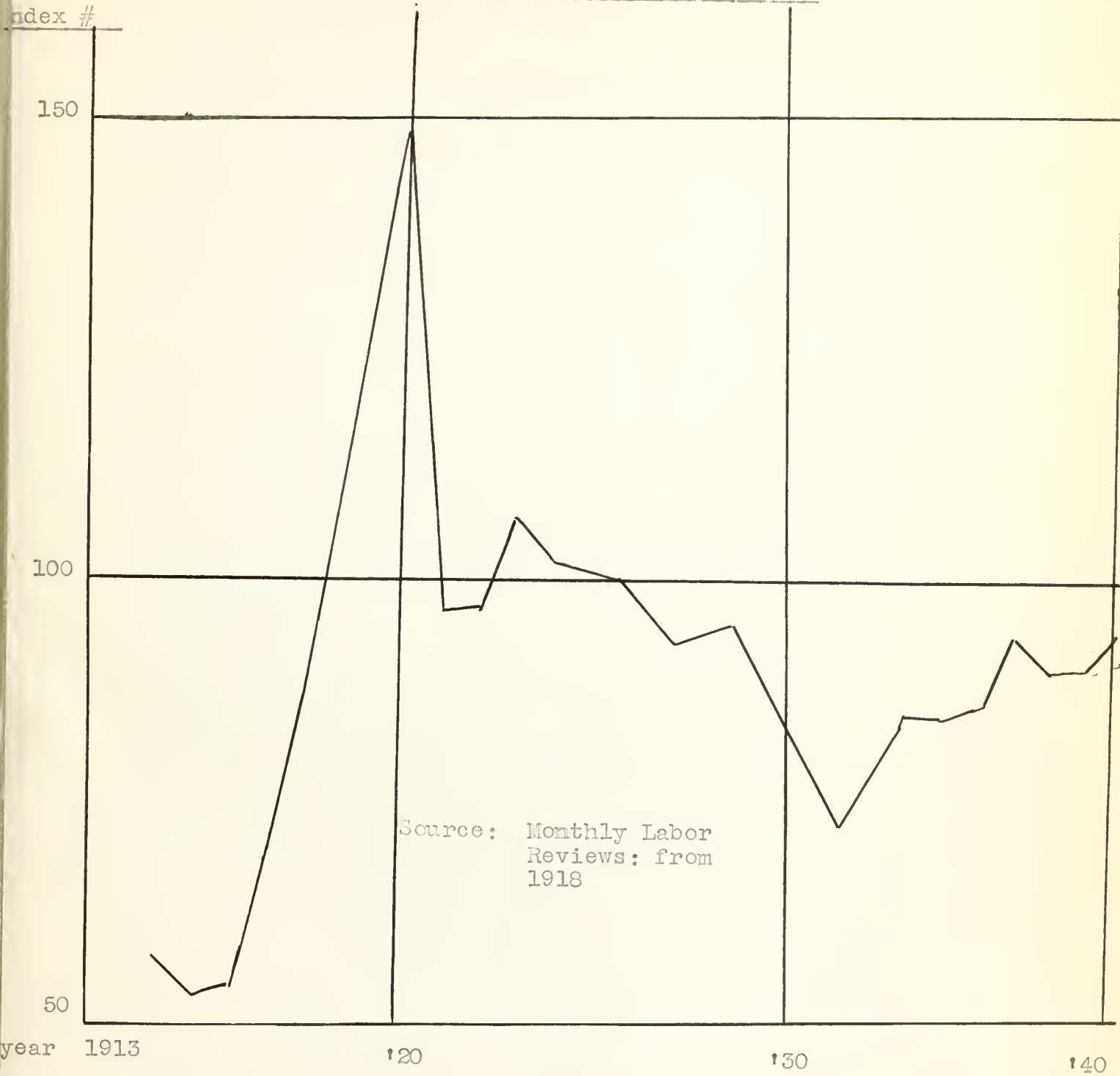


CHART X

There is another factor with regard to the cost of building materials that is not shown in any statistics on the prices of building materials. That factor is the collusion and monopolistic practices that exist in this field and which might explain the fact that materials prices have not declined even though technological improvements made in materials have considerably reduced the cost of production.

A small idea of what the average home builder is up against can be gleaned from some of the evidence turned up by the Temporary National Economic Committee in its investigation of the building industry. Evidence given seems to point conclusively at collusion between labor and building materials companies seeking to keep in force unreasonable prices for both.

Very strong evidence and testimony was given by Mr. Carleton A. Smith of Smith and Dawson Co., a Chicago building firm which had succeeded in reducing the cost of home building in a Chicago suburban development by eliminating both the general contractor and a sales organization from the cost of home building. The firm was offering a home including land costs for \$4,000 for which the purchaser paid a \$375 deposit and \$34.01 per month for twenty years under the F.H.A. mortgage plan. Mr. Smith testified that the costs of these homes could have been reduced considerably had it not been for a combination between unions, manufacturers and jobbers of materials

which held up prices.¹

When asked if he had attempted to buy materials direct from manufacturers, Mr. Smith replied, "Yes, we have in several cases, but there is an association of retailers in Cook County, the Materials Merchant's Association, and they are organized so that everyone buying building materials must buy through an association yard." This control even prevented this company from buying gravel direct from a pit even though it was a larger buyer and had its own trucks.²

In spite of the fact that the company was a heavy consumer of all materials, it could not get any better price than the builder who could construct only one or two houses at a time. The company could not buy gypsum at all because the set-up in the Chicago territory is that the plaster contractor takes the contract for the lathing and plastering and he buys the materials and charges them at full list price. This is a union regulation made with manufacturers of lathing, plastering, electrical, heating and glazing materials. What it means is that the plumbing or plastering contractor makes a profit not only on his labor but on the materials as well.

Perhaps the most surprising testimony came from General Robert M. Woods, chairman of the board of Sears, Roebuck and Co., in explaining why his company abandoned a plan

1. Breaking a Bottleneck, Crider, J. "Survey Graphic"
Feb. 1940, p. 72

2. Idem.

for making and selling houses in the Chicago vicinity to its employees for \$3,500 including the lot of land. Woods stated that in Chicago, as well as other sections of the country, labor will install materials of only certain companies. In plumbing and heating supplies, the Sears company does a large business all over the country and carry quality merchandise, yet, in making these houses, the unions would not allow them to use their own materials.¹

These conditions of collusion between materials companies, jobbers and unions prevail in every large city in the United States and particularly in the medium size ones where union labor is strong.

For this reason, the Department of Justice, under Thurman Arnold, Assistant Attorney General of the United States, has been endeavoring to break up these rackets in the building industry. Neither the labor unions nor the manufacturers are exempt, because they are both equally guilty. Evidence on this collusion was turned up by the Department which showed that employers would give an agreement to hire only union labor and other considerations. In return, the union would agree to call strikes on would-be competitors who quote lower prices or otherwise interfere with employer-union monopoly.² Thus, this employer receives the benefit from the workers' right to strike and above all it is being used as a

1. Ibid. p. 73

2. Ibid. p. 74

posed to check competition.

The progress of the Department of Justice in this field has been hampered considerably by the stress of war that has resulted from the growth of the defense program. It is doubtful if any progress will be made in correcting these evils, but some good has already been done in that it has brought to the attention of the public a picture of the pernicious practices that exist in this field. Perhaps, after the emergency has passed, attention will again be directed towards this field and many needed corrections made.

However, not too much hope should be placed in this device. The building industry is an old institution; ancient practices continually recur. Combinations and rackets are almost inevitable in a shoe string industry. Today, anyone can announce that he is a builder or contractor, get credit or rely on the credit of his sub-contractors. The estimates of these contractors are entirely irresponsible and as a result make it difficult or impossible for reputable firms to compete. This is one thing that drives them to collusion in bidding and the like.

Thus, any real remedy must go beyond anti-trust prosecution, although these are necessary to a thorough going realignment of a sick industry. The present investigations and prosecutions may break illegal conditions and combinations, but they must be continued in order to prevent new

ackets from growing along the same lines.

LABOR COSTS

The prominent part that labor holds in the cost of residential construction can readily be appreciated in the following chart.

Chart A.I

PERCENTAGE DISTRIBUTION OF COST OF BUILDING ONLY
COMPOSING COST OF BUILDING ONLY (EXCLUDING LAND)
(COST OF BUILDING) 1000 1

Labor	Materials
40%	60%

Labor	Materials	F.F.
35%	52.5%	12.5%

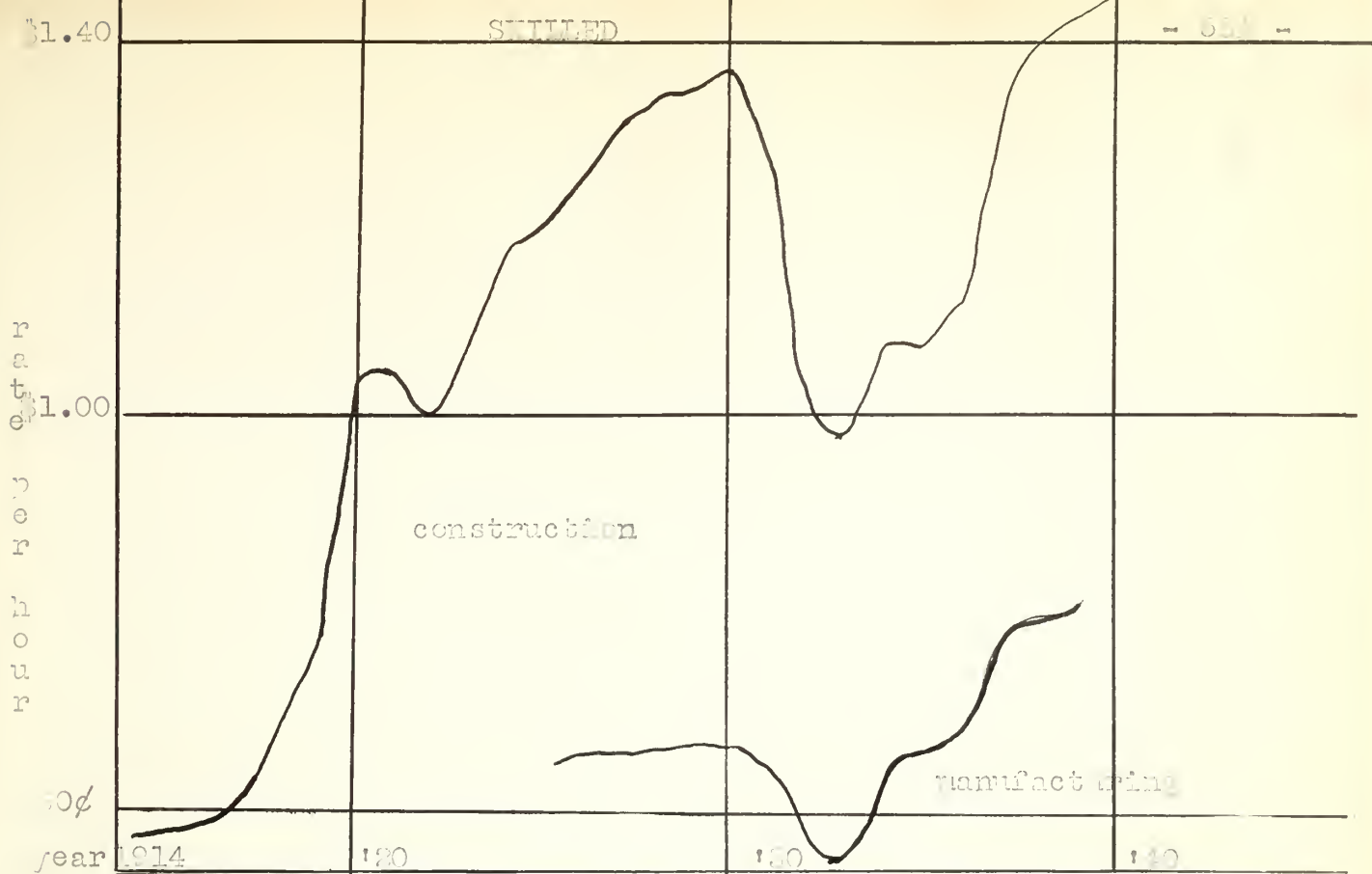
Labor	Materials	F.F.	Land
28%	42%	10%	20%

F.F. means fees, financing, etc.

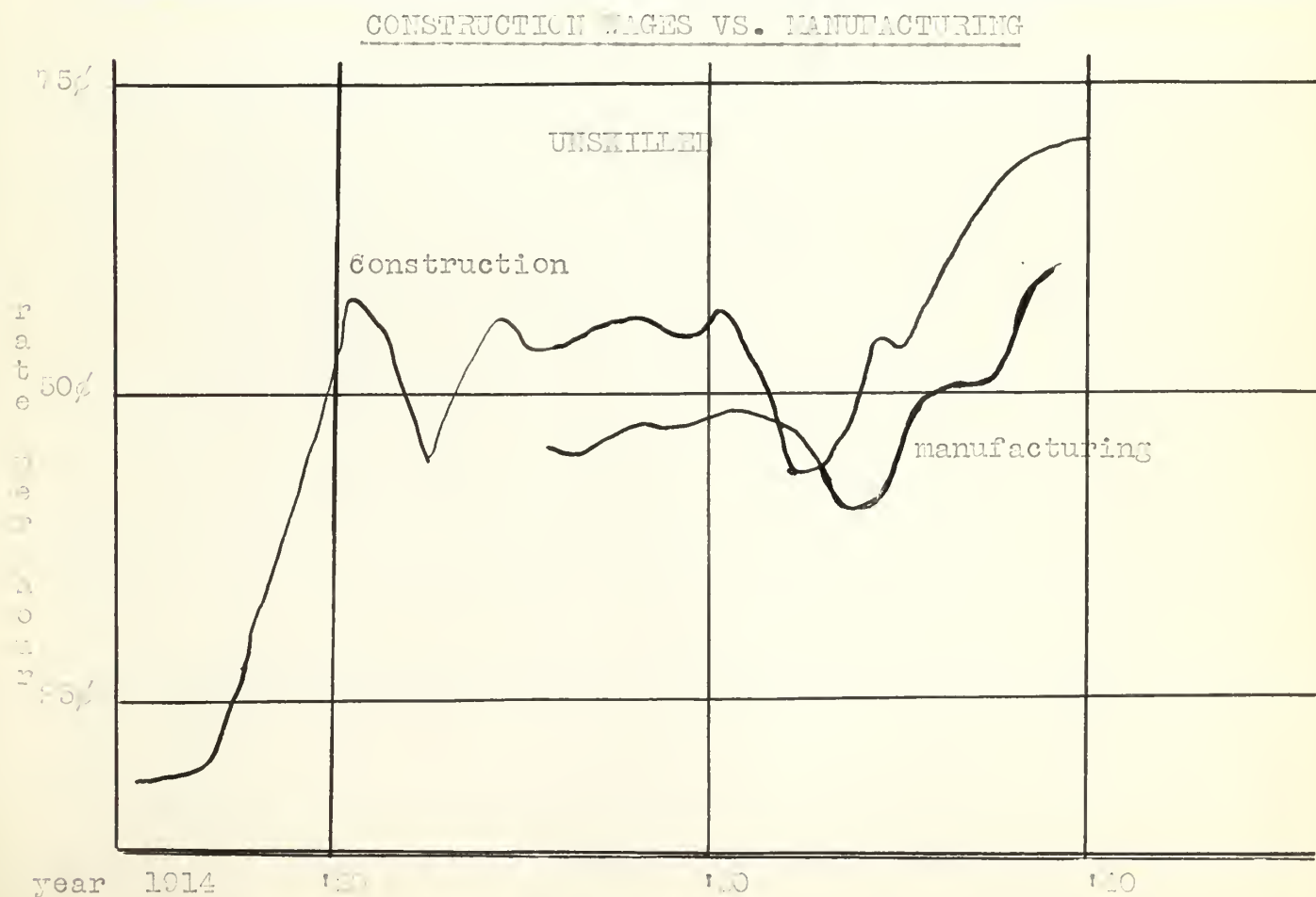
The upper bar shows the cost of the building only. In the next bars the items for labor and materials contain an allowance for builder's overhead and profit. In the second bar there is an allowance for financing costs, while in the last bar the cost of the site is included.²

1. Building House, Series, U. S. A., Vol. II, p. 272

2. Ibid.



CONSTRUCTION WAGES VS. MANUFACTURING



1. Op . 11 . p. 21

2. Ten.

It might be summed up as follows:¹

- re- ar: For ten years prior to the war, bricklayers on tenement houses, other walls, using ordinary mortar laid about 1000 to 1500 bricks per day.
- 1 20 : Various estimates placed the average at about 650 to 700.
- 1923 : A Government study gives a single average for nine northern cities of 1150.
- 1930-31: Several estimates place the average at about pre-war level, or around 1150 to 1200.

Considering these facts, we can look now at the wages of the building industry. These are clearly shown in Chart III. Skilled labor wages have increased from 90 cents in 1914 to \$1.59 per hour in 1930 to \$1.47 in 1940. This represents an increase to 1930 of 82.2% and of 50% to 1940. Note also the comparison of these skilled wage rates with those of the skilled wages of manufacturing workers.

Here we find that although manufacturing productivity has increased approximately 48%, wages to 1930 had only increased 21% in the same period.²

A similar condition exists in the unskilled wage rates. For the building trades, unskilled wages rose from 17.7 cents per hour in 1914 to 39.2 cents per hour in 1940. This represents an actual increase of 222%. It would seem then that the building trades are not justified in such

1. Ibid. p. 244

2. Idem.

large hourly wage rate increases, especially where their productivity has not correspondingly increased.

The relationship of these increases in both labor costs and materials prices has been seen in the increased cost of construction.

TAXES TOO HIGH

Another very important factor which must be considered a hindrance to the development of new construction is the standard, present high taxes on property. Taxation is a necessary evil to proper government and taxation of real estate may act as a stimulis or deterrent to any building program or to the active demand for housing.

In this country we have all sorts of Federal and State taxes, so that it makes it difficult for the municipality to find sources of revenue. As a result the bulk of income received by American municipalities comes from the general property tax. When additional money must be had and borrowing is not feasible, then, the property tax is increased. This can be shown by the 1934 budget for the City of Rochester which enjoys a better distribution of tax revenue than most cities. Out of a total of thirty million dollars of income, eighteen and one half million came from property taxes, six million from state grants and shared taxes, one and one half million from public enterprises, one million from permits and other revenue.¹

1. Taxes Are Too High, Butterfield, N.Y. "Survey Graphic" n. 94.

For most states, 60 to 80% of state and local taxes are derived from real estate. In 1900, nearly 69% of the total tax bill of the state of New York came from real property levies, notwithstanding the fact that New York has many franchise and other special taxes which yield a substantial revenue. The proportion of local taxes in New York State derived from real estate averages about 80%.¹

In Massachusetts, in 1931, more than 84% of all direct taxes for state, county and municipal purposes were derived from real estate. In Rhode Island, more than 75% of the local taxes were so obtained; and, in Connecticut, 60%.²

This burden is increasing with the rise in municipal and state taxes, to such a degree that something must be done. Also, our system of taxation has tended to encourage land speculation and discourage improvement. Lawyers and tax authorities have always united land and improvements into one entity, when, in reality, they are two separate factors.

The practise has been to tax land without improvements at a very low rate, and when it is improved, in the form of erecting a house, a much higher levy is placed. Thus, with a very small tax on unimproved land, the less is the pressure placed on the owner to build. On the other hand, the less tax on improvements, the greater is the inducement

1. The Evolving House, Lemis, A. P., Vol. II, p. 161

2. Idem.

to erect new homes or to improve old ones.¹ This would be much to encourage improvements on houses in dilapidated areas. In many cases improvements are not made where they should be for to do so would increase the valuation of the property in terms of taxes and a higher level of taxes to be set. To offset this increase, higher rents would be required, but, in all probability, would not be obtainable.

Thus, state and local authorities should consider the reduction of the rate of taxation on buildings and the corresponding increase of such rates on land, in order to lower the tax burden on the home owner and the occupants of low-rent houses.² In doing this, speculation in land would be discouraged, because the holding of unused land in city areas would be made expensive and unprofitable. The improvement and remodeling of housing facilities would be encouraged and, above all, home building would be increased.

GENERAL SUMMARY OF HOUSING DISABILITIES.

Thus, we find that, among major industries, the building industry has been the slowest in development and it has accumulated far more disabilities than any other industry. These disabilities may be broken down into sections as follows:³

General disabilities may be summed up as:

- (a) Local nature, where in the house must be man-

1. Taxes in Search of a Resting Place, Hutterheim, U.S. p. 95

2. Idem.

3. The Evolving House, Lewis, N. Y. pp. 140 - 171

ufactured on the spot or site with the result that it limits competition and acts as a brake on initiative and efficiency.

- (b) Lack of organization.- The industry is not definite or clear cut but, as has been shown in this chapter, is a conglomeration of large numbers of separate companies and individuals.
- (c) Seasonal production of the industry affects affiliated industries, with the result that there is an increase in the cost of production. Labor and materials costs are high because of this seasonal factor.

Constructional disabilities are:

- (a) Lack of intergration. In the iron and steel industry a single organization controls all phases of production; but, there is no counterpart in the building industry.
- (b) Work on site. This is a serious handicap and causes inefficient assembling of materials and mechanical equipment.
- (c) Antiquated assembling methods. This type of assembling involves a great waste of labor and is really hand manufacture.
- (d) Custom work. Not only is the dwelling hand made but it is often custom made. While most other articles, from automobiles to shoes, are turned out in great numbers, according to standard specifications, the dwelling house, in most cases, is made to individual plans.

Managerial Difficulties lie in:

- (a) Small operators. There is a tremendous number of small operators which limits efficiency. Many contractors are of the "shoe-string" type and are without sufficient resources.
- (b) Failure to use labor-saving devices and modern methods. Most of the contractors cannot afford modern labor-saving devices.

- (c) Lack of ability. A large number of contractors, being really carpenters or other artisans, lack the necessary experience and ability. Thus, these incapable contractors produce a large amount of unsound and shoddy construction.
- (d) Bad practises. Many bad practises of management exist in the building industry. Among them are: use of inferior materials, failure to properly train apprentices, mistakes in estimating costs, making charges after the work is complete, use of poor materials and unsatisfactory tools, wasteful handling of materials, failure to provide work for mechanics in bad weather.

Labor Disabilities are:

- (a) Excessive number of crafts and jurisdiction. The building industry is strongly but not efficiently organized. The insistence on jurisdiction often means the employment of highly paid skilled workers for work that could easily be done by common laborers. Clashes between unions over jurisdiction are frequent and cause interruption to work.
- (b) Strikes. Heavy losses have been suffered because of widespread and prolonged strikes.
- (c) High wage scales. The wages of the building industry are far higher than in most other occupations.

Financial Disabilities rest in:

- (a) Lack of uniformity of mortgage laws.
- (b) There is not enough discrimination on the quality of the risk.
- (c) Mortgage provisions in a mortgage are obscure.

Relative Disabilities are:

- (a) Building codes which are confused, complex and rigid and which entail a serious addition to cost.

- (b) Tax legislation imposes a further burden upon building. Since taxes are an important factor in rentals, it is evident that unduly heavy taxation on real estate operates directly to discourage speculative building or the construction of dwellings to rent.

Consumer disabilities can be charged to the owner himself, such as:

- (a) Lack of knowledge. Too often the purchaser knows very little about his own problem. Many times a small gadget, such as a breakfast nook, laundry chute, etc., will sell a house.
- (b) Insistence on individuality has been overdone in many cases, with the result that it has prevented standardization of houses and materials.
- (c) Insistence on speed has been the result of much poor construction.

CHAPTER IV

THE GOVERNMENT CAN DO SOMETHING

From the previous chapters it is obvious that the housing problem encompasses many phases. It is a problem that affects the well-being of every American citizen and, because of this, a solution must be found.

To propose any one solution that will change this industry from a static to a dynamic one is impossible, for no one proposal can have all of the answers to all of the questions that beset the housing industry. Government building may clear some slums, but, it is likely to create new ones.

Some would-be authorities have stated that the answer lies in the income of the people being too low. Raise their income and they will buy homes. This, however, is looking at the matter backwards. Back in 1916, an automobile was a real luxury and could only be purchased by a small group of the upper income class. If they had said, "We cannot sell cars unless the income of the general public is doubled", there would be few more cars sold today than there were in 1916. Instead, the automobile industry, inspired by competition, set about making a product that could be sold to fit the pocket book of the people. Lower and lower came the price and larger and larger grew the market. Today,

the automobile is one of the best dollar values.

Therefore, the solution is not in raising the incomes, but in lowering the price of houses in order to tap new markets of people, able and willing to buy. The industry must be able to sell a house to the market that is available.

Others feel that there is only one agency that can handle this problem and that is the government. When one considers the total value of new residential construction and the depths to which it has fallen in recent years, he can readily understand the difficulty of the government being the sole agency for putting the field back on its feet.

The 1926 - 29 average yearly construction in urban areas amounted to about a billion dollars.¹ During the early years of the depression, it was about one hundred and seventy million dollars; from 1936 to 1939, it averaged about three hundred and seventy-five million dollars.¹ Government housing during this time ran at the rate of about sixty-five million dollars.¹ Thus, it would take a tremendous amount of "pump priming" on the part of the government to attempt to push construction figures up anywhere near the 1926 - 29 average.

This does not mean that there is no room for the government in the housing field. There is a definite place

1. Estimates based on Survey of Current Business Figures, Feb. 1940, p. 18

for it and there is much that can be done that will not only lessen the problem but will aid the industry and rehabilitate it.

ROBERT HOWELL, F. C. A. C. L.

For the past twelve years, private industry has accomplished little towards a solution, so it might be better for the government to take over just a little more authority. However, before deciding what the government should do, we must first find out what it is doing.

At the present time we have ten agencies of the Federal Government that spend, lend, insure and concern themselves with housing. A brief digest of each of these agencies might be given as follows:¹

The Farm Credit Administration (F. C. A.)

This bureau provides a co-operative credit system for agriculture and, incidentally, makes loans available for the construction and improvement of farm houses. Within the system are the Federal Land Banks, which make long-term farm-mortgage loans; Production Credit Associations, which, by discounting loans with or borrowing from the Federal Intermediate Credit Banks, provide short-term credit; and Farmers' Cooperative, which make loans to farmers' business co-operatives.

This department does not build houses or lend to

1. "Business Week", What Government Is Doing In Housing, Feb. 17, 1940, pp. 18-19

anyone not engaged in agriculture. Neither will it make Land Bank loans for more than 50% of the value of the land plus 20% of the value of improvement acceptable as security.

Farm Security Administration (F. S. A.)

This body was set up to try to alleviate the lot of the tenant farmers. It makes loans to competent farm tenants, share croppers and farm laborers, if citizens of the United States, to enable them to become farm owners.¹ It makes rehabilitation loans and provides supervised credit to low income farmers, on or near relief, for the purchase of farm supplies, equipment and livestock; makes grants for basic subsistence in cases of extreme distress in devastated farm areas; competes and operates about one hundred and forty such community projects begun by the Resettlement Agency and other prior agencies.

The board does not make loans to other than share croppers, farm laborers, farm tenants or to others who obtain or recently obtained the major portion of their income from farming. It will not make loans for such rural rehabilitation to anyone who can obtain reasonable credit from any other source. It will not insure mortgages or build houses except under the Resettlement and Farm Purchase Programs.

The Federal Home Loan Bank Board (F. H. L. B. B.)

This is entirely a supervisory board set up in Wash-

1. This is authorized under the Rankin-Jones Farm Tenant Act.

ington to co-ordinate the three separate governmental agencies operating in the field of home mortgage finance. The major function is to encourage and assist private capital in making available on an economical basis an adequate volume of long-term home mortgage credit, and, at the same time, provide a means for sound investments of small capital.

The board does not intend to undertake public housing or slum clearance projects. Its activities are mainly to encourage and facilitate construction, purchase, refinancing and improvements of non-farm homes through loans by private agencies. This board administers the following three:

1. The Federal Home Loan Bank System

This serves as a credit reserve system through which member home financing institutions, savings, building and loan associations, co-operative banks, homestead associations, insurance companies and savings banks may obtain short or long-term advances as needed on the security of home mortgage collateral.

2. The Federal Savings and Loan Insurance Corporation

This is an insurance corporation set up by the government to insure against loss, up to \$5,000, the accounts of individual investors in all Federal Savings and Loan Associations and

state chartered institutions of savings and loan type, who apply and are approved for insurance. It will not guarantee the liquidity of the bank's accounts but will guarantee repayment.

3. Home Owners Loan Corporation (H. O. L. C.)

This agency refinances, on a long-term basis, at moderate interest, mortgage indebtedness of individuals faced with loss of their homes through foreclosure or tax sale. It is now engaged in servicing its loans and the management of its acquired properties. The board does not accept any further applications for loans. Lending operations ceased on June 12, 1936.

The Federal Housing Administration (F. H. A.) ¹

This board operates under two titles. Under title 1, it insures private financial institutions against loss up to 10% of their total modernization loans for amounts up to \$2,500 for (1) repairs, alterations or improvements of existing structures; (2) the erection of a new structure not used for residential purposes; (3) the erection of a new structure used wholly or in part for residential purposes.

Under title 2, it insures first mortgage amortized loans, up to \$15,000, made by approved financial institutions, on home property that meets F. H. A. standards. Terms up to twenty years and amount up to 80% of the appraised value. On

1. U.S. Government Manual, March, 1941, U.S. Information Service, p. 418.

mortgages of \$5,400 or less on newly constructed, owner-occupied single family homes, terms may be up to twenty-five years and amount up to 80% of the appraised value.

The Board also insures first mortgage loans made by approved financial institutions, up to \$5,000,000, to finance the construction of large scale housing projects that meet F. H. A. standards. The mortgage is not to exceed the estimated cost of physical improvements or 80% of the appraised value, whichever is the lower. The agency does not lend money, clear slums or build houses.

The Federal National Mortgage Association (F. N. M. A.)

This organization purchases F. H. A. insured mortgages on new homes and rental housing projects. Also, it is permitted to finance F. H. A. mortgages on large scale projects. The agency cannot purchase F. H. A. insured mortgages on dwellings, construction of which was commenced prior to January 1, 1936.

The Reconstruction Finance Corporation Mortgage Company (R. F. C. M. C.)

This branch of the R. F. C. refines existing mortgages and makes loans in connection with new construction where there is an economic need to aid in the establishment of a normal market for sound mortgages on urban income-producing property. It purchases at par, mortgages on properties on which dwellings were erected prior to January 1, 1936 and insured under title #2 of the National Housing Act. It considers

applications for loans to distressed holders of first mortgage real-estate bonds and certificates.

The company will not refinance or lend on urban income-producing properties when credit is otherwise available, or refinance or lend on resident buildings with less than five apartments.

The United States Housing Authority (U. S. H. A.)

This agency provides financial assistance to locally constituted public housing agencies (usually local housing authorities) to assist in the development of low-rent housing and slum clearance projects which local authorities design, build and operate on a rental basis. The financial assistance provided consists of repayable loans which may equal 90% of the total development cost and annual grants - an aid designed to bring rents within the reach of families in the lowest income group now living in slums.

It exercises supervision, in order to insure (1) that projects will reach low-income families living under substandard conditions; (2) that an equivalent number of substandard dwellings will be demolished; (3) that at least 10% of the development cost is raised from sources other than the government; (4) that the locality matches the annual federal contribution on the basis of at least one to five; (5) that costs are within statutory limitations of the U. S. H. A. and that all provisions are observed.

The second act set up Land, Construct projects or assist private builders. It is unfortunate that we have government low-cost housing construction.

It is obvious from this summary of government housing aids that, with the exception of the U. S. . . ., they are all concerned with the one phase of housing, financing. These acts were all proposed and enacted by the school of housing authorities who feel that the only real problem in housing lies in the financial end. They overlooked completely or, at best, passed off lightly the other factors that have proven to be a hindrance to building. The poor wisdom of this line of reasoning might be seen in the fact that housing construction up until 1940 showed no appreciable improvement. This does not mean that these agencies are not necessary or useful. On the contrary, they have a definite place. Much, however, could be done to consolidate these lending and insurance agencies into one bureau to eliminate overlapping and cut down administrative expense.

EFFORTS TO REMOVE THE BURDEN OF HOUSING

Although these bureaus do much to remove the strain and stress on poorly financed mortgages, there is no direct effort made to bring about more and better construction, or to lower its cost. Neither is any real help given to the buyer of a home to insure his receiving full value for his

money. The consumer is entitled to the benefits of new developments and materials and to receive accurate information about all new proposals.

Thus, there is the all-important field of experimentation that, at the present time, can be carried on by the government better than anyone else. There are new materials that should be thoroughly tested by a reliable agency, new specifications for low-cost homes developed and new methods of construction.

This is not too much to expect because, in other fields of industry, our era has been characterized by far reaching developments in communication, transportation, etc., but not a single one has been brought about in building.

PROMOTE RESEARCH

As has been pointed out, the prevalence of custom work in the building industry has prevented the gains that can be made through the use of mass production methods. This has resulted in the industry being unable to bring the price within reach of the masses, which means that one thing is definitely needed, - research.

On the whole, there has been very little activity along these lines by building companies. A few, however, have been quite active, namely: the Johns-Manville Co., the National Lead Company in paints, the Pittsburg Plate Glass and the Carrier Corporation. Their activities have been devoted

to the promotion of glass bricks, glass for insulation, some forms of prefabrication, and the increasing use of calcium hydroxide in the tile, wall board, building plaster and lathing.

With an extension of the building industry and a removal of the many hindrances to the use of new materials in construction, there would undoubtedly be even more extensive research by building materials companies to develop newer and more economical products in their own fields.

However, this does not answer the problem of construction and the development of solutions which will open the way to the use of lower cost materials. In this field, there are not enough large companies continually experimenting to bring about newer and better methods for putting a house together. It is here that the government could do a great deal of good.

So far, we have had to depend on a few isolated companies or philanthropic organizations to attempt research. The most important one of this group has been the Pierce Foundation at Lebanon, New Jersey. This is a non-profit agency dedicated to the "improvement of the habitats of men". Its success in the research field has been remarkable, but so far their findings have had to remain in the experimental stage because of the inability of the industry to accept them.

Along the same lines, the Federal Bureau of Investigation has conducted research that has been somewhat successful in the

offered. The first was a five room single low building
that contained some original ideas in design, construction
and decoration. It was in need of complete renovation
the walls and ceiling. Renovation requiring the use
of different type and available types of the lowest ex-
pense were believed to be most effective. The house built
in 1940 was a distinct improvement over the 1938 model, with
a cost of \$2,400, which included both the purchase of the
cheap land and builder's profit and profit. Typically,
it is hoped that a house will be developed which can be
sold for \$5,000, including land and builder's profit. The
engineers and architects of the foundation have also come
to the conclusion that standardization of smaller units may
provide factory-production benefits without the expense
usually encountered with larger, large-scale industrial units.

This project resulted in many improvements in ex-
isting and existing and was especially important in the
development that was developed. The electrical work included
a house, but water heater and a pump system. Also included
were specially developed electric fan, heater, a water heater,
a cooler, water pump and cooling system. The house was develop-
ment was made in the house and the house was built.

It, however, is not an original idea; more of this
type has been developed in recent years. It is hoped that the
philanthropic activities of the foundation, while nothing is

1. Business Week, Sept. 10, 1940, p. 26.

2. Mechanical Engineer, Feb., 1940, p. 345.

results of such research being made public, their companies would strive to gain new developments of their own which would give them some competitive advantage. Besides the development of new materials, new methods of construction, etc., a department of this sort could do much to promote new uses for older materials.

TEST MATERIALS

Testing of new materials could be easily and fairly conducted by such a Bureau. In this phase, many ill-considered developments promoted by exploiting private economies could be prevented from reaching the market.

Weak or poor materials in the construction of a house have been found to be not only a danger to the purchaser but also affects the value of adjoining homes. If poor or defective materials are used in the construction of a house, it is only a matter of a few years before the results are shown in the appearance of the house. Valuation declines and a decline in valuation affects that of the houses adjacent which had no control over the construction.

Many building codes try to prevent such things, but in their effort to cover all possibilities and lacking sufficient equipment and knowledge for properly evaluating any new materials, they usually go to extremes and prevent the introduction of any new material whatsoever. With a Government research department, this would be completely corrected. In the local code there could be a requirement that any new

material used in the important phases of home construction must be reported on and approved by the research bureau of the Federal Housing Commission.

Such a requirement would give to building codes greater flexibility, a badly needed factor. With a stipulation calling for approval by the Federal Housing Research Bureau or some other accepted agency, the use of properly tested new methods and materials would be greatly encouraged. There would be no delay on acceptance due to changes that would have to be made in each building code. It would eliminate the tendency for building codes specifying materials so minutely that only one brand might be used.

This would do a great deal to prevent products that will be strongly promoted and giving claims that are not true. The average house owner, not having any technical knowledge that would enable him to pre-judge the merits of these materials, would be swayed by strong pressure to his own detriment and loss. Periodic reports published by the government housing research bureau would do much to eliminate such evils.

CRITICISM OF BUILDING REGULATIONS

This, naturally, brings us to a discussion of those building codes that are proving to be a hindrance to building. Housing regulations are undoubtedly a problem of government and any proposals concerning the regulation of building codes should be included in a chapter that attempts to define just

what the Government should do.

An easy proposal might be to suggest that all local building codes be scrapped and a national one set up. This, however, would be difficult to do in this country. In the first place, there is the Constitution that would prevent such a flagrant infringement of the rights of local communities. Then, there is the more important reason that all communities have different conditions of topography, present set-up, past growth and industry that prevents any general national code from being made applicable to its problems.

Thus, the role of the Federal Government in bringing about uniform regulations will have to come of advisory capacity and of using its influence to prevent evils and abuses from entering into the local codes.

There is, of course, only one aim or central reason for having building codes and that is the protection of the public welfare. This control concerns itself with the setting up of fire controls and protection from conflagration. Toward for health has resulted in sanitary and hygienic regulations. Prevention of housing collapse and injury has caused measures of control dealing with the strength of materials and the methods of construction. Finally, there are regulations directed toward civic beauty, defense and other social purposes.

Building codes represent a very desirable and necessary effort on the part of government to protect the public and are undoubtedly of extreme value to the home owner and

tenant. Nevertheless, they contain many defects and in the aggregate have compelled a needlessly heavy addition to the cost of construction; a great many have been framed on unscientific lines. Almost inevitably code provisions become obsolete as materials and methods change or improve and communities grow.¹

The general criticism of most codes is that they tend toward detailed specifications and are as a result unnecessarily complicated. "According to Albert Kahn, there are fifteen hundred codes in the United States, each containing from one to four hundred pages of closely printed matter."²

This concentration on detail has caused codes to become rigid and obsolete through changes in methods of construction. According to a survey made in 1931, there are eighty municipalities with codes twenty or more years old, one hundred and twenty-six codes from fifteen to twenty years old, one hundred and sixty-two with codes from ten to fifteen years old.³

What is even worse is that these codes are based on materials and methods developed and on the market prior to the codal adoption. A frequent complaint against these building codes lies in the fact that they call for unnecessary strength of materials or foolishly expensive methods of con-

1. The Evolving House, Dennis, A.P., Vol. II, p. 311

2. Ibid. p. 312

3. Ibid.

struction. An example of this is that until very recently it was a common provision that floors in dwellings should be capable of sustaining a load of one hundred per square foot, whereas, the Building Code Committee of the United States Department of Commerce has held that an allowance of forty pounds is ample in ordinary construction and that thirty pounds is sufficient in floors of monolithic construction or of solid or ribbed slats. Codes in New York City have a requirement of four hundred and sixty pounds to stand a probable load of ten pounds.¹

The required thickness of masonry walls should vary with the number of stories, yet it is difficult to understand why requirements for the same number of stories should vary to any marked degree in different cities; yet such differences are found. These differences can be seen in the following chart.

TABLE VIII

MINIMUM THICKNESS OF WALLS IN SELECTED CITIES
IN THE UNITED STATES²

Cities	<u>Number of Stories</u>						
	1	2 - 3	3 - 4	4 - 5	5 - 6	6 - 7	7 - 8
Atlanta	16 in.	20 in.	20 in.	24 in.	24 in.	28 in.	28 in.
Boston	12 "	12 "	12 "	16 "	16 "	16 "	20 "
Chicago	16 "	20 "	20 "	20 "	24 "	24 "	24 "
Detroit	12 "	16 "	16 "	20 "	20 "	20 "	24 "
Wila. & St. Louis	13 "	18 "	22 "	22 "	26 "	26 "	30 "

1. Am. Cit. p. 75

2. Ibid.

To the average layman the obvious conclusion is that a thicker wall means a more expensive house. A Philadelphia architect estimated that the cost of a twelve inch wall for a brick house, twenty by thirty feet, would be approximately \$600 more than the cost of an eight inch wall. He further pointed out that with a thinner wall there would be a substantial gain in interior floor space, almost sufficient on each floor to provide space for a small bedroom or two or three large closets.¹

In the case of steel-frame construction, a provision of sixteen thousand pounds per square inch is the allowable stress of most building codes, yet both the United States Building Code Committee and a committee of the American Institute of Architects found an allowance of eighteen thousand pounds per square inch was safe. This would permit a savings of 11% in the amount of steel required in a structure.²

These variations in stress and strength exist in all basic building materials. On the face, they seem ridiculous. For example, in certain types of dwellings, New York requires a weight bearing value for spruce lumber of eight hundred pounds, while Boston, Atlanta, San Francisco and the National Board of Fire Underwriters require two hundred pounds. Even the quality of materials varies, with some requiring higher than standard quality and others as low as 70% of standard

1. Housing Problems in America, Nat. Housing Ass'n, Vol. VIII p. 34

2. The Evolving House, Series, N. Y. Vol. II, p. 313.

qualities.¹

Naturally, such lack of uniformity involves great waste. It prevents standardization of building materials and construction methods and, above all, prevents any sound economies in building. These arbitrary figures set down by building codes are ridiculous because they defeat the very purpose for which they were made. How foolish it is to require the same cement foundation wall thickness of say twelve inches for a small frame cottage built on high and dry land as for a stone mansion set in marshy ground. Also, it is not scientific to make distinctions between qualities of materials. Finely ground, carefully prepared cement is far stronger than loose, sand cement in a wall, even though it may be twelve inches thick.² After all, the main consideration of any code should be how safe is the material, not how thick it is.

These code requirements naturally prevent new materials from being developed. For instance, suppose a designer or company is able to produce a new material, lighter in weight and far stronger than cement, yet his wall is only about six to eight inches in thickness. The only way this improvement could be widely accepted would be through the changing of some fifteen hundred codes which would mean separate tests conducted for each one. The cost of such a

1. Ibid.

2. Ibid. p. 311.

procedure and the time required makes it extremely impractical. It is less expensive and quicker to try to bribe building code officials to accept the product. Such a practice is certainly undesirable, no matter how desirable the improvement.

If, however, all building codes had a provision accepting the results of the Federal Building Research Board, only one test would be necessary and new discoveries would be quickly brought into the building industry.

These inconsistencies and unscientific requirements exist throughout all the different phases of the housing construction from heating and plumbing to roofing material and electrical wiring. The result has been that many new synthetic materials discovered by the chemical industry and having many desirable features are prevented from being used in home construction.

The present building codes, then, prevent the evolution and introduction of new ideas into the industry and, what is more important, add greatly to the cost of construction. It is the opinion of many competent authorities that as much as 20% in the cost of construction could be saved if cities would adopt codes based on accurate knowledge.¹

Something must be done about these obsolete building codes and the best agency to do it would be the Federal Government. This agency should do everything possible to

1. Ibid. p. 323.

promote uniform and logical housing regulations.

As was pointed out before, a clause in each local code referring to a Federal Housing Research Bureau test and accepting materials that pass their standards for specified uses would do much to permit flexibility in building codes. New materials and construction methods once tested and proven could quickly come on the market and tremendous encouragement would be given to private research.

Model uniform codes could be prepared for cities and towns of different sizes and located in different climatic zones. All cities and towns would be encouraged and urged to prepare and adopt a code based on the model and send it for approval to the Research Bureau. To assure adoption of a code acceptable to Bureau standards, an amendment could be attached to the United States Housing Act requiring that any community desiring funds for low-cost housing development must have a building code acceptable to the housing authority. This could be extended to the Federal Housing Act setting as a stimulation to any long term insured mortgage loans that an approved local code is necessary.

Such a model code should be general and lay down broad principles of construction practices. It should deal entirely with the fundamental requirements insuring safety to life and health. It is not a province of the code to

prescribe the kind of plaster that should be used or even the number of nails that must hold down a roofing shingle.

HOUSING FOR THE VERY POOR

There are many arguments pro and con on public housing by the government but the present set up of the industry would seem to indicate that if an effort is to be made to actually give better living conditions to our very poor, then government aid is necessary. On the whole, the amount of rent or the extent of the investment that a family can make in its home depends on both its income and the product that the market has to offer for the price to be paid. As has been pointed out, land costs, materials prices, wage costs, etc. are far out of line. As long as these conditions prevail either incomes will have to be increased or an equalizing factor brought in to improve standards. Failing to increase income or decrease construction costs mean that until these come about, public subsidy will have to make up the difference between what the people can pay and what it would cost them to have a decent place in which to live.

GOVERNMENT AID NECESSARY

That we have a great many families whose income is such that they cannot afford to pay for existing housing facilities or even for the facilities that might be available for the immediate future can be seen in a comparison of the

conclusions reached by the Purdue University Housing Research Laboratory and those of family incomes for 1929.

After a study of family incomes, budgets and carrying charges for a house, the Housing Research Laboratory concluded that:¹.

A \$ 2,500 house is too expensive for 66% of families
 A \$ 3,000 " " " " " 53% " "
 A \$ 4,200 " " " " " 33% " "
 A \$ 5,100 " " " " " 75% " "
 A \$ 6,100 " " " " " 30% " "

When we consider family incomes for 1929, these conclusions can be readily viewed.

CHART IV

FAMILY INCOMES - 1929 ²

Income	Families	Percent	Cumulative Families	Totals Percent
\$ (tentative)	120,000	0.4	120,000	0.4
500 (tentative)	1,932,000	7.2	2,102,000	7.6
500 - 1,000	5,797,000	13.3	5,899,000	21.4
1,000 - 1,500	5,754,000	20.9	11,653,000	42.4
1,500 - 2,000	4,701,000	17.1	16,354,000	59.5
2,000 - 3,000	3,192,000	11.2	21,546,000	73.4
3,000 - 4,000	2,440,000	8.3	23,986,000	87.3
4,000 - 5,000	1,232,000	4.4	25,218,000	91.7
Over 5,000	2,256,000	8.2	27,474,000	100.0

These figures are for the peak prosperous year of 1929 and certainly, during the last ten years, incomes on the whole have decreased. For 1941 and 1942, the income level might even be higher, but the cost of living will prob-

1. Catching up with Housing Ironovici, L. 1943, p. 45.

2. Ibid. p. 21.

ably be greater and taxes certainly will be more. Therefore, the 1.29 figures can be used as a good basis.

Hilton Lowenthal, in a study of non-farm families, made for the Housing Study Guild, stated that in 1934, 82% of non-farm families had incomes of less than 1,000 per year. Housing for these families, he believes, would have to be subsidized.¹

The soundness for such a conclusion can be seen in the normal budget set up by the "American Journal for Home Economics" in June 1932, for a typical family of five; mother, father, boy of thirteen, girl of ten and boy of seven.²

BUDGET

NORMAL BUDGET FOR FAMILY OF FIVE

Item	Weekly Minimum	Annual
Rent	\$ 5.10	265.20
House operation (heat, light etc.)	2.15	111.80
Clothing and incidentals	3.30	170.70
Food	7.70	400.40
Recreation	.50	26.00
Miscellaneous - health	1.75	91.50
Total	21.00	1,002.00

Such a family would of course require three bedrooms to assure separation of the sexes and privacy for the parents. Thus, a home of at least four rooms and a kitchen

1. Idem.

2. Idem.

is needed. There are very few dwellings available in the larger cities satisfying these requirements that can be had for \$20.00 per month. When we consider that about 22% of the families have an income below \$1,000, then it is obvious that slum dwellings are the only homes these families can afford.

With the exception of some limited dividend companies, private industry has been unsuccessful in producing satisfactory dwellings for incomes within this range. These figures, then, would seem to be the strongest argument that can be put forth for government subsidy.

At President Hoover's Conference on Home Building and Home Ownership in 1931, the consensus of three thousand persons with experience in one or another field of housing was that the position of the Federal Government should be as follows:¹

"Unless this problem can be met by private enterprise there should be public participation, at least to the extent of the power of eminent domain. If the interest of business groups cannot be aroused to the point where they will work out a satisfactory solution of these problems through adequate measures for equity financing and large scale operations, a further exercise of some form of governmental powers may be necessary in order to prevent these slums resulting in serious detriments to the health and character of our citizens."

It is obvious now after ten years have passed that private enterprises have not met this problem. Therefore, it would appear that if any housing for low income groups

1. Housing Comes of Age, Strauss, L. M. & Mery, T. p. 32

is to be provided on a large scale, it will have to be generated by the government. When one considers the evils and terrific social expense caused by slums and blighted areas, as pointed out in Chapter II, housing subsidies then become a mighty cheap form of relief.

CLASS OF SUBSIDIES AND

Housing subsidies are defined as "outlays that are not returnable, and may be classified in many ways as to purpose, beneficiaries, form and method of financing with considerable overlapping among classifications."¹

The beneficiaries of a subsidized housing program may be landowners, landlords, contractors, building unions, developers, middle income groups, low income groups or relief groups. Generally, if a government is subsidizing any sustained housing program, it means that the poorest group receives the greatest benefit from the subsidy.

It is important that if a subsidy is to be used to control low rents in a housing project, it should not be used to control excessive prices for labor, materials and possession of land.

It is on these latter cases that most criticisms to public housing are based. Land speculation is increasing, accompanied by speculation on the part of owners to corner the market and sell at a profit after a rise in-

1. "Housing Finance", Journal of the American Planning Association, Vol. 10, No. 1, 1940, p. 100.

2. Ibid.

contract and result in lower hourly wage costs, and still benefit the laborer.

These government subsidies for housing take different forms. Local governments sometimes give them in the way of complete tax exemptions of buildings and land perpetually or for a limited period; perpetual exemption of buildings but not of land; or temporary exemption of buildings up to a certain amount per foot.¹

Other forms of subsidy include:²

Capital Subsidy

whereby the government makes a lump sum contribution to the original cost of the project, thus writing off a portion of the capitalized cost;

Rent Subsidies

may be of two types; those paid to or for poor tenants without the money for rent and for those tenants incapable of paying the economic rent in modern low rental buildings;

Interest Subsidy

which is a subsidy paid to the operator of a housing project, such as a public housing authority, towards the payment of interest charges due on the money borrowed for the construction of the project;

Land Revaluation Subsidy

is an attempt to make a government contribution on the value

1. Ibid. p. 153

2. Idem.

of the land that will bring the net value down to a point where it is based on present day use and income. This is not practical because it only results in land speculators receiving the benefit of the subsidy.

At the present time, the Federal Government has discarded the capital subsidies as being too inflexible and has adopted the operating subsidy. Grants up to 5% per year of the cost of the project are made each year for sixty years.¹

Interest subsidies are not feasible because it does not encourage the dissolution of the loan. What is most desirable is that the project should be operated as near a self-supporting basis as possible. A specified grant could be made each year with the stipulation that the development should be properly and efficiently run, to at least earn the balance. If the project goes in the red, then, the management personnel should be examined or the rental basis adjusted. This grant could be based on a simple accounting procedure of first determining the cost and maintenance expense for the year and just what income should be forthcoming. Then, the rent that is to be paid and the actual income that is to be expected would be decided upon. The balance would be in the form of the grant, either made wholly by the Federal Government or, preferably, shared by both the federal and local

1. Idem.

governments with the central government supplying the bulk and having some control of the general features, such as income, cost, administrative expenses, etc.

This form of government subsidy seems preferable to general construction of the projects by the Federal Government. The latter means federal management of a highly central and rigid organization which is not practical in housing because each city and each section of a city has its individual problems in housing. Changes in policy or regulations could be made more easily and with greater understanding by a local housing board.

Neither should projects be built by the Federal Government and given as outright gifts to the local authorities. With such a set-up, housing grants would become a political football, resulting in some cities getting many, while others received none. By having a yearly subsidy on the expenses shared by the local and by the Federal authorities, the cost could better be figured and it would assume the status of a relief payment. This would force the local board to see that its work is properly done.

Such then are some of the most important places in which the government can help in solving the housing problem. A few of the positions mentioned in this chapter have already been assumed, but, for the most part, there is no sound organization of a housing division and, in most instances, the surface of these duties has only been scratched.

There is, however, one danger that always enters into any proposal for government intervention and that is the possibility of it being carried to an extreme. Again, the government should do its best to create and promote research in new construction methods and materials but it must not manufacture or attempt to control all new discoveries. Materials should be tested and facts given, but opinions other than the state-ment good, fair or poor should not be expressed. Uniform and flexible codes should be promoted but a national code should not be set up. Finally, housing for our income group below \$1,000 must be subsidized by the government but it must supply only the basic essentials, stressing mainly cleanliness, air, light and the minimum standards of decency. After all, it is only logical that if the standard of living of the lower income group is raised considerably above the next income group of say \$1,500, then that group will have the incentive to lower their income rather than attempt to raise it. Also, every possible encouragement should be given to philanthropic, limited dividend companies and private industry desiring to build for the low income group.

CHAPTER V

THE QUESTION OF A LIMIT ON HOME OWNERSHIP

HOME OWNERSHIP NOT FOR EVERYONE

Home ownership has always been associated in our minds with a great many social fixations and beliefs, so that it is sometimes difficult to properly evaluate what home ownership can do for a country.

The real estate board, the speculative builder, the investment corporation, the preacher, the building materials trade and the recovery optimist, all will insist that everyone should own his home. Should anyone venture to state that this is not altogether true, then, such a babble of protest would arise from these groups that one would not dare to approach this problem again.

Unquestionably, it is true that 90 or 95% of our people would like to buy a home, but this type of desire could probably be applied to almost any product of wide usage. The mere desire does not necessarily mean that this large group should own their homes. There are, without doubt, a large number of families virtually excluded from ownership. A vice-president of the United States Building and Loan League stated; in 1930, that of approximately eighteen million families living in rented quarters, probably eight million were prevented from becoming homeowners because of the character of their employment.¹

1. Stimulating Home Ownership, Wors, R. W. "Building and Loan Annals", 1930. p. 73.

For others, home ownership is desirable and, in fact, of benefit. However, it should be justifiable on the following bases:¹

1. If income were steady so that the payments on the home might be met promptly and the danger of foreclosure practically eliminated.
2. If it could be assumed that there would be no considerable need for a change in the standard of the home for a period at least as long as it would take to pay for the building.
3. If obsolescence of the various common uses of the building would not antedate the payment.
4. If there were no losses in value of the neighborhood which would make continuance of occupancy undesirable or impossible.
5. If the market could easily absorb the home in case of removal to another district at, of course, no loss in equity.
6. If the municipal and other tax hindrances would not be such as to add so great a sum to the maintenance cost as to make occupancy impossible.
7. If the original investment under particular economic and market conditions did not entail price deterioration in time of depression and if the owner could count on disposal of his property at a reasonable price at all times.
8. Betterment assessments should be listed clearly and the prospective purchaser should be made to understand that these costs will eventually arise.

Perhaps the biggest danger to the prospective home owner lies in mortgage foreclosure which, according to the Federal Home Loan Bank Board, were four times as heavy in 1933 as they were in 1926.² What seems to be worse is the fact

1. Housing the Masses, Aronocici, C. p. 109

2. Ibid. p. 114

that in the large city with the larger percentage of home ownership, the security of this ownership is very low. In Philadelphia, "The City of Homes", that boasted the greatest percentage of home ownership, it was found that since 1920, 170,000 houses, out of a total of 455,140 residential structures, went through foreclosure proceedings.¹

Hence, the auction block is one of the genuine dangers of home ownership. The problem generally arrives through a family buying a home with the monthly payments based on their income at the time of purchase. This family fails to consider the contingency of reduced income in later years, and, if this contingency is realized, there follows a call for the auctioneer. The Home Owner's Loan Corporation did a great deal of constructive work in preventing foreclosure proceedings for many families but for a number it was just a question of postponing the action to a little later date.

It is this fear and possibility of loss that has frightened many away from buying a house. The extension of loans to a twenty year basis has done much to alleviate the situation. However, a gradual reduction in interest rate, with the increasing payment of the principal, as suggested in Chapter III ² would do much to ease the problem. By decreasing the interest rate as the equity of the home owner

1. Idem.

2. Cf. p. 40

becomes larger, a smaller monthly payment would be possible. This would work in very well with any possible income reduction. Should income almost cease completely, then, it would be necessary for an organization similar to the . . . to step in and attempt to carry the mortgage for a short period in order to give the distressed family an opportunity to rehabilitate itself.

An effort should be made to discourage people with low incomes from buying residences. Lawrence Voiler, secretary of the National Housing Association, in 1916, said that for the \$15 a week man, home owning is not possible.¹ The United States Building and Loan League, in 1930, after a survey, determined that home ownership was impossible for a family with an income of \$100 a month.²

The reason for this is that the greater part of the purchase price for a home and furnishings is financed on credit by families in the lowest income groups. Naturally, the greater the dependence on credit, the greater the danger of foreclosure. Therefore, desirable as home ownership may be in principle, it is not advisable for families who cannot afford a substantial part of the cost at the outset. The 20 to 25% downpayment required at present is the minimum amount from the standpoint of safety. The Federal Mortgage Insurance Division should go even further in this respect. It should require, as a prerequisite for insuring a mortgage, that a family be prevented from purchasing a home whose value

1. The Evolving Home, Temis, H. F., Vol. II p. 399

2. Idem.

is not consistent with the purchaser's income, i. e., a \$,500 a year man should not be allowed to purchase a 20,000 home.

DISADVANTAGES OF HOME OWNERSHIP

The disadvantages of home ownership seem to be summed up in a study of Coleman Woodbury in Chicago in 1931 and are as follows:¹

1. Renting is cheaper than owning
2. Financing costs of owning are too high
3. Tax burdens on owners are too heavy
4. Investment in house is too fixed
5. Renting increases freedom
6. Installment payments on house are too expensive
7. Owned home a poor investment
8. Costs incidental to purchase of a house too high
9. Land value too high
10. Renting increases bargaining power.

It is also frequently argued that renting is more advantageous since it involves no danger of depreciation of capital; that the tenant is free to move and take advantage of better opportunities in business; that it is less expensive, and that the excess outlay required for home ownership, if wisely invested, would yield a better financial return.² This latter argument is open to considerable question.

1. Apartment House Increases and Home Ownership, Woodbury, "Journal of Land and Public Utility Economics", August, 1931, p. 322.

2. The Evolving House, Ferris, N. Y., Vol. 71, p. 308

These disadvantages, then, would seem to be strong contentions against home ownership or even bothering to try to bring such a thing about. However, close study of these reasons will show that the strongest ones are created by the problems that exist in the industry. A correction of these decadent practices will eliminate many of the disadvantages. Also, too many people look on it as a financial speculation instead of as an investment in good and pleasurable living. If we bought our automobile on the basis of investing in something that could be later sold for the same price or one higher, there would be very few automobiles sold. Instead, we buy a car with, first, the idea of the best in transportation and comfort for the money and, second, with the thought in mind that the depreciation on one particular brand may be less than on another.

Hence, why should people look differently on a home. We derive pleasure from one. It provides the very necessary task of shelter; it can be a kingdom in itself. Thus, there should be a certain depreciation expectancy.

DIRECT ADVANTAGES OF HOME OWNERSHIP

Although it has its disadvantages, there, nevertheless, can be real advantages. These direct advantages might be listed as follows:¹

1. Ibid. p. 397

1. The home owner at the end of a period of years has an investment of substantial value, whereas, the tenant has nothing.
2. Home ownership assures a permanent residence, thus eliminating any anxiety over fluctuations in rent.
3. Home-ownership stimulates thrift.
4. Home-ownership, partly because of the pride in possession, increases the social standing of the family in the community and improves the credit standing of the family.

INDIRECT ADVANTAGES OF HOME-OWNERSHIP

Indirectly, the advantages of home-ownership go beyond these outward elements of investment, pride and credit standing and it is these indirect elements that form the strongest incentive to promote dwelling purchases.

Psychological Factors

It is believed that the home affects the development of personality more than does any other phase of the environment. Housing may be a positive or negative factor in the development of personality. The President's Conference in 1931 stated that the overcrowding and lack of beauty to a large extent offset the spiritual and intellectual growth fostered in the school.¹

Home-ownership, acquired under the proper conditions and with the proper safeguards, often fosters economic security. Many times, however, the attempt to acquire a residence has resulted in economic disaster for a family.

1. Davies, J. E. Fundamentals of Housing Study p. 39

The importance of housing for fostering economic security might be explained through the fact that: housing is the largest single item of expense covering in the family budget. Thus, in home ownership, the house becomes an example of specialized fixed capital. It is consumption capital, insofar as it contributed directly to the satisfaction of basic human needs. It is productive insofar as it is used for a workshop.¹ It may also be regarded as acquisitive capital for it can be used to produce a money income or the equivalent in use. The house and lot may be an investment to be drawn upon when the need arises, and it may serve a purpose similar to a savings fund when they increase in value. The owned house equalizes real income in that the owner is housed as well in one year as in another.²

Thus, good housing and home ownership under proper conditions promote the economic security of the family. Padlocking, which offers inadequate protection to health and to personal property, increases financial expenditures and threatens the economic security of the family.³

The Political and Social Benefits

Perhaps one of the greatest advantages that home ownership gives to a nation is the development of good citizenship and a responsible electorate. The desirability of

1. Idem

2. Ibid. p. 90

3. Idem

1. The President's Conference on the Building and the
Interchangeable the middle, house and type of collaboration
Vol. IV 2.1

that from property comes about 95% of the local revenue, a dwelling owner is sceptical to the many promises made by small demagogues and is more inclined to study closely the character of the men running for office.

Probably nothing creates a greater stability in government than a wide distribution of property ownership on the part of the people interested in that government. If we could count on an average of 75% of the population living in owned homes, we should always have a stable majority of our people with a social and financial stake in the neighborhood community.¹

They would have a sense of permanency which makes them enter more fully into the community's social, religious and other activities. In addition, the ownership of property makes for conservatism; which is sometimes badly needed in our government.² In this way, home-ownership would probably contribute to a better informed citizenry as well as to a more stable and responsible electorate.

Also, the gradual acquisition of a home is good training in thrift. People who will not save otherwise will economize in various ways in order to save for a house. Even if the buyer experiences some decline in the value of his property, in many cases he accumulates what he would not otherwise have secured. Consequently, home buying is a re-

1. Ibid. p. 50

2. Wood, E. E. Recent Trends in American Housing p. 55

sents for many people a much better investment than they would have made if they had continued to rent.¹ This is the manner in which the home owner prepares himself for his greatest degree of enjoyment. That is, when the time comes for retirement, the security of home ownership is indeed a supreme feeling of satisfaction.

The Religious Value of Proper Housing

For some time religious bodies have come to recognize that there is a religious importance to proper housing. This was strongly shown in 1912 when the Federal Council of Churches met in Chicago and in their revised creed featured proper housing as a definite aim of religious effort.

"The aim of all true religion is the establishment of the true kingdom of God, the coming of which is the greatest ideal of the Church. In this kingdom of God, there is no room whatsoever for crowded quarters, congestion of people, or of insanitation."²

The housing problem is closely interwoven with the problem of the family, and for this reason it must be more and more an object of religious concern.

"The tenement house is an impediment to God's plan for the home and no matter to what high degree of physical healthfulness we may raise the tenement, this basic fact will remain. The ideal home can by no stretch of the imagination be located in a tenement, and we would well if we were to put less emphasis upon the matter of building model tenements and more emphasis upon the necessity of single houses for single families, in order that the home may be preserved."³

1. President's Conference Home Ownership Incomes & Types of Building p. 5

2. Patterson, W. E. Religious Value of Proper Housing p. 42

3. Ibid. p. 43

The foundation of any religion must be based upon the home and the family. If the condition of that home is such that it discourages or prevents normal home life, breaks the influence and control of parents over children, serves as a breeding place for immorality, crime disease and even premature deaths, then proper housing definitely has religious value. It is only after understanding the nature of a home and realizing the tremendously important part which it has played in history, that one can appreciate the far reaching significance of a movement for proper housing.

The history of Israel is the history of the family, and the ancient Jews made ample provision for the home, for they felt that what the home is, the child will be.¹ The family, home and household all figure prominently in the life of Christ and the growth of Christianity.

The home today as well as the family is disintegrating. The pressure of social, industrial and economic forces, coupled with the tendency of people to congregate in the large cities, and of still more people; namely, the immigrants, to colonize for the most part in the older sections of the city, all make for an undermining of the home and the decadence of family life.²

These are elements that might be applied to rented

1. Ibid. p. 46

2. Idem.

dwellings, but where ownership creates pride in ones home and makes easier a happier life, the religious value is doubly insured. If this life is almost impossible under certain tenement conditions, then everything should be done to alleviate the situation.

The Desirability of Credit Extension

It would seem then that a great deal of home ownership in the United States is a most desirable thing for those who are financially able to do so and is a goal toward which the nation should strive. Besides attempting to correct the major evils that exist in the housing industry and assuming the duties as outlined in the previous chapter, some genuine and practical effort should be made to bring about an immediate increase in home purchasing.

It has been previously brought out that a high rate of interest on building loans is doing much to retard building, especially in the residential field and that low rates of interest have the contrary effect, strongly encouraging both owner occupation and even the building of houses for rental to tenants.

An example of this may be taken in the case of a family living in a small apartment and paying a rental of \$250 per year which is a little less than \$20 per month. This family would like to have their own home but they cannot see where they can pay much more than their present rent.

If the family desires to purchase for 25 years, the size and class of the house will depend a great deal on the interest rate. This can be seen in the following figures:¹

At 6%	they can build a	\$2,940 home
" 5%	" " " "	\$3,240 "
" 4½%	" " " "	\$3,500 "
" 3¾%	" " " "	\$3,790 "
" 3%	" " " "	\$4,000 "

It is evident then that as the rate of interest falls, a much better home can be obtained for the same expenditure. Thus, if a family must pay 6% the facilities available may not be as good as those enjoyed through the present rental figure and as a result the idea will be forsaken. If, however, the interest rate drops to 4½ or 3¾ %, the family can buy a home valued at \$3,500 or \$3,790. Such a house will in all probability give far better facilities than they enjoy at present. Also, there will be a genuine equity in something tangible so that the family will be strongly tempted to buy.²

These figures include site value, legal and other expenses. The most important thing to notice is the disproportionate relationship between the interest rate decline and the rise in value of the purchasable home. Where the rate drops one percent from six to five, the value of the house increases nine percent, from \$2,940 to \$3,240.

1. Three Million Homes Morgan-Roberts, C. pp. 75-76
Figures based on a \$20 per month expenditure which includes payments on interest and principal on a 25 yr. mortgage.

2. Ibid. p. 76

To generalize, it could be said that a rise of one percent in the rate of interest is multiplied ninefold in depreciating the value of the house that can be purchased with a given series of installments.¹

Acting on this evidence it would seem logical that one of the first movements to be made towards solving the home owning problem should be through a simpler form of credit extension and at a much lower rate. Fortunately, the government is attempting to do something towards the solution of the credit phase of housing but its efforts, although good, seem to be insufficient.²

Up to the present time financial aid has been the principal means employed by the Federal government to stimulate private housing operations. This work has been carried on through the Federal Home Loan Bank Board and the Federal Housing Administration. These two boards have succeeded in reducing rates to five and six percent. Further study should be given to ways that will enable a further reduction of this rate.

Through federal insurance of mortgages, the risk on such a loan is lessened to a great degree and if this is so then there is little reason why banks cannot loan at a lower rate.

Credit extension should be conducted mainly by

1. Ibid p. 79

2. Cf. p. 71

banks, insurance companies and other private institutions for they are better able to handle loans than the government. The government, however, should exercise a measure of control over housing investments as they do over most other types of investment. This control could probably be brought about through closer supervision of savings banks by the states. It would be well for other states to study the Massachusetts set-up of savings bank control.

Through state or federal measures, limited dividend companies and co-operative syndicates could be encouraged to build housing projects and housing units. The limited dividend company is semi-philanthropic in that its charter prevents speculation and limits the income to a fixed percentage of the investment, usually 6%. Co-operative companies in this country have been for the most part made up of labor-union members who pool their resources and construct a large housing project. The members reside in the project and pay a regular rental, but they are also the owners. The rent is based on investment cost and upkeep, being reduced when these two factors are reduced.

In New York these two types of organizations have been quite successful mainly through the encouragement and supervision exercised by the New York State Board of Housing. This supervision has been on one hand a definite help to inexperienced groups in managing their enterprises wisely; and

on the other it has made it possible for them to obtain first mortgage loans at low interest rates.¹ Thus, the Metropolitan Life Insurance Company is making first mortgage loans at 5% to the companies approved and supervised by the State Housing Board, because of the approval and supervision.²

This type of supervision and encouragement should be taken over by the federal government and extended to all larger cities. Loans for these companies should be made more easily available through the Reconstruction Finance Corporation which already has the power to make such loans. Naturally, loans of this sort should not be indiscriminate and should be made with intelligence only to reliable companies. Supervision and a measure of control as to income, etc. would be one of the requisites in obtaining a loan.

The immediate aim, then, of the federal government should be directed towards making credit available at a lower cost. By enabling limited dividend and co-operative companies to obtain credit at a lower rate, banks and other private lending agencies, in order to meet competition, will be forced to find means to lower their rates. By insuring

1. Housing Problems in America National Conference on Housing, 1929

2. Government Aided Housing Wood, E. E. p. 32
Idem.

mortgages on low-cost dwellings, the risk of the loan assumed by the private institution is reduced to a minimum which should make it possible for the rate of interest to be reduced. In this manner, a greater percentage of home owners can be brought about.

CHAPTER VI

GENERAL PROPOSALS FOR AIDING THE HOUSING INDUSTRY

Reduce the Complexity of the Industrial Organization of Housing

As has been pointed out in Chapter II,¹ under the present system of construction, houses are not supplied to the market in an orderly or an intelligent manner. The result has been that there is never any steady supply but instead tremendous gyrations in the construction cycle.²

The construction of houses is essentially a small scale enterprise. While there are many firms that erect what seems to be a large number of houses, they do not dominate the field. The bulk of construction is done on a speculative basis by an enormous group of contractors whose individual production is very small.

This, of course, means that there is no centrality in the industry. Houses, as now built, are conglomerate assemblies of many different parts and products of many different industries, each of which tries to take as large a profit from its portion of the house as it can. The building or assembling, as a result, is done in as crude and wasteful manner as is known to American industry.

It can be seen that what is needed in the industry is a creation of larger companies that can handle more operations and exercise a greater degree of control over the entire residential construction field. Many of the authorities

1. Cf. p. 20

2. See Chart III

in the housing field have pictured such a company and, although they may differ in some principles, basically their ideas are similar to the one pictured by L. A.

Filene of Boston. His company, called "The General Housing Corporation", would operate throughout the country, to build, equip, and own homes of the type most in demand by persons of average income.¹

The first function of this company would be to build houses with ever increasing efficiency and, like the automobile industry, attempt to offer improvements and better values each year, while, at the same time, eliminating all but one profit. It would coordinate all the different sources of supply of lumber, metals, heating, equipment, plumbing, fixtures and accessories of all kinds, and would provide the capital and low-cost financing to assemble them cheaply.

As a result, such a company would be able to turn out houses on a single profit basis, which would eliminate a great part of the present unnecessary expense. It would be able to build in any locality standardized designs, with efficient methods of assembling anywhere, the different elements that go into building a house. This standardization does not of necessity imply ugly or monotonous lines. In fact, the opposite would be true, for in the first place,

1. Slums, Large Scale Housing, and Decentralization, Pres. Conference, p. 130

these designs would be prepared by the foremost architects, which would assure that only the highest quality design would be used. Then too, there easily could be some thirty or forty basic designs for preparing the shell of the house and, in addition thereto, some two or three hundred different exterior and interior variations. Homes could be built in as many models, styles, variations of color, trim and accessories as demand required. Yet, at the same time, there could be uniformity and standardization in the method of construction.

A large company such as this could have research and testing departments and could assemble at any cost all the given elements of design with the minimum of efficiency; and at a cost which at the start would probably be no greater than half the cost under the plans now used by small individual builders.

The planning of a sturdy construction program and the preparation of materials would enable this company to give guaranteed yearly wage contracts to its workers. Thus, the per hour cost of construction of the housing field would be brought down to a level with other manufacturing industries.¹ As a result, this would greatly cut labor costs and, at the same time, assure the workers of an increased yearly income. Then, through research, cheaper and better products

1. Op. cit. p. 2.

of construction could be forced that would reduce the estate even further. The second function of W. Wilson's company would be to make it possible for workers to own these houses and live in them without great personal risk insofar as their investment is concerned, and without financially tying them up in a fixed investment to the community where they are working.¹ It is of benefit to both labor and capital that the worker should be free to move and to adjust himself to demand.

To bring this about, the corporation would not try to sell lots of houses. It would sell to any worker an equity in the place where he would be working. It would sell houses with the provision that, if one wished to move to some other place, he could exchange his equity for its equivalent in the latter place.²

To do this, it would be necessary for the company to own large numbers of houses in various localities and districts. Thus, if a worker, who had acquired a 5,000 equity in a house in which he was living in Boston, and to move he desired, he could exchange the equity in the Boston house for one in a house in Chicago. To provide for our houses in value to the corporation caused by moving industry from one site to another, a small charge in the nature of insurance could be made on each house which would go towards building a sinking fund to provide for such a contingency.³

1. Ibid. p. 173

2. Ibid.

3. Ibid.

The second part of the general appreciation plan would be the sale aspect. It appears that for the company to own a sufficient number of homes to enable these transfers, a tremendous amount of capital would be necessary. The company could not keep all these homes vacant awaiting these transfers. The result would be that the company would have to rent these residences out, in all probability, the rate of fluctuation would resolve to that of a large scale landlord.

The method that could be used to handle this out area efficiently would be for the company to allow the owner, planning to transfer his residence, a loan for all or his present home towards the purchase of a new one or perhaps "used" home in the area of his destination. Thus, he would of necessity have a certain amount of depreciation per year, and the housing company could profit from the experience of the automobile distributors and retailers "used" cars business.

If such was the method, then the depreciation rate for better homes could be established. For example, a new house valued at \$4,500 could be turned in at the end of five years, at which time its depreciated value would be \$3,315.¹ After renovation, the house could then be termed "used" and sold for approximately \$3,315,² thus rearing an entirely new market.

1. This depreciation rate per annum. This rate allows for approximately 15 year span with a residual value.

2. An arbitrary figure of \$300 has been added for renovations.

industry for their livelihood and located elsewhere near their place of employment. Consequently, large-scale industries are unable to secure a steady labor supply, have had to seek distant sources of labor. Consequently, concentration of population in these localities has led to excessive population growth and attendant concentration of living conditions in these areas of intensive housing. Also, this concentration has led to additional industries, adding to already over-crowded and undesirable conditions.¹ It is just this that the small city is. Industry located in less densely occupied areas affords an opportunity for more and better housing development. Accordingly, in many cases this exists only as an opportunity. The houses themselves are often lacking. Securing of housing accommodations has long been a major difficulty to many industries that contemplate decentralization, when, as a matter of pure economics, they might find that location entirely desirable.

Until recently, economic and social advantages for industry were to be found in general in the large cities. Within the past twenty years, inventions and inventive arts in transportation have made the small town and rural community attractive to industry. The smaller city has been able to offer cheap electric power, improved railway and trucking facilities, low cost and improved living conditions, paved highways and all modern conveniences and luxuries. Thus,

1. Plan, Large Scale Housing and Decentralization, Res. Conference, p. 174

in any industries, and small communities could produce-
well with large cities in the three important locational
factors, namely: markets, labor and transportation.

It is difficult to determine just how much decon-
centralization has been taking place. An authoritative source
on housing in 1938, after a study of 100 American towns,
arrived at the conclusion that there was "but a little
decentralization."¹ The ten-year depression, however, has un-
doubtedly caused an acceleration of this factor. Cotton
textile mills have moved in great numbers to the South. Iron
mills and the steel industry have been shifting away from
smaller cities. Low-wage rates and a surplus of labor in
these smaller cities have been important factors in this
movement.

Thus, well-considered decentralization of industry
will be rich to break up the concentration of the labor cities.
This decentralization can be in two forms: one, a tendency
toward location in the suburbs or outskirts of urban centers;
the other, a movement toward location in smaller towns.

The major obstacle to the first has been a general
absence of comprehensive, regional planning. The obstacle
to the second (which is fast being corrected) has been an
unevenly distributed transportation system and rate structure.²

1. Ibid. pp. 188-190.

2. Ibid. p. 199.

It can be seen then that the effect that gradual decentralization of industry will have on housing is to enable proper planning, zoning and reconstruction of neighborhoods for the workers. Congestion in the cities will be eliminated. People will be attracted to smaller cities and towns where living expenses are more reasonable. Land values in the large cities will be gradually lowered, coming more in line with their possible income.

REGULATION OF LAND

This thesis has often pointed out that the problem of land value fluctuation and the large expense of development has been one of the major factors in causing large housing costs.

Mr. Raymond V. Parsons, research engineer for the John's Manville Company, has an interesting proposal that might be made practical.¹ According to Mr. Parsons, a house is not housing for it must have a site. Speculation in land makes it virtually impossible for the lower income group to live in cities; yet, they must contrive an existence there because their sources of employment are found therein.

The solution for this problem lies in the creation of new controlled communities patterned on true English garden city lines, as exemplified at Letchworth, Welwyn and

1. The American City, July, 1930, "Housing and Community Planning", Parsons, R., pp. 5-6.

Bythenstams, no land. There, local diversified industries
and population of all income groups are experiencing a new
pattern of living. The creation of such communities in the
United States would place the entire cycle of human life on a
mass production basis. Low agricultural land could be used
at basis value. The price of this land could be fixed down
- hold in it in trust for the community. In other words,
all land would rest in the community and it could
lease it for nine or ninety years. It could not be bought
or sold and therefore would not be a toy for speculators.

The size of communities could be limited to a definite
figure, such as, not less than 50,000 nor more than
100,000. Public utilities, street and other civic require-
ments could be built to actual needs and not to mass needs.
Each city would have its own house-manufacturing industry,
in which would be developed, on a year round basis, different
model houses. Much of the labor could be transferred from
the job site to the factory which would result in consider-
able economies, as well as to provide year round employment.

This would tie in very well with the decentraliza-
tion of industry. Under the guidance of the state, the pro-
posed laws could take over all land. The company planning
to build would lease the land from the local board. The
number of employees with the new company could be determined
and a plan of zoning could be set up which would allow for

ample expansion possibilities of the local communities. The maximum limit to be set on the town's population would be used to discourage further incipient growth or over-expanses in that area.

This plan has some practical suggestions but its workability might be questioned. Also, it does not solve the land speculation problem of the cities now in existence; and it does not seem to be far enough in its action. To make any socialization of land workable, it would have to be general.

Therefore, what could be done is this: each city and community could acquire title to all land. This could be done over a period of years through the assumption of the Government's right of eminent domain or through a long-term purchase basis in which the city would pass an ordinance preventing the transfer of title on land to any other person than the local civil body.

The former method, however, would seem to be more preferable. In this way, a regular scheduled program for land purchase could be planned and executed over a period of twenty to forty years, thus preventing any dislocation in finances. The community would acquire title to a piece of land, lease it to its former owners who would be given the right of a long lease at a reasonable fee each year as a rental. The income from these fees would be used to purchase

more land. Ultimately, these fees could replace or greatly reduce property taxation as we now have it.

The right of lease would have to be non-transferable. If the lessee no longer had use for his lease, it would revert back to the community land board. This board would then offer the lease to open bidding which would include the appraised value of the property constructed thereon. The amount for the property would go to the former lessee and the highest bidder for the land would become the new lessee. The consideration paid for the lease would be determined by the location, size and other features that go into making land values.

It is apparent that a city could do in the way of internal improvements, zoning and construction control, construction of highways, parks, etc., through having this control of the land. Expenditures would be definitely limited by the amount of income received from these leases. This would act as a brake on excessive community expenditures.

The danger would lie in the possibility of groups gaining power who would employ created means for controlling the land. This danger, however, is one that seems to exist even today. Small groups now get control of a local government and run legitimate companies out of business.

This danger could in part be overcome by giving the

lesse the right of renewal and possible increase in rent on a percentage basis of the increase in the economic cost.

Other schemes and requirements could be developed to remove the dishonesty from its administration. This plan of socialization will seem to be highly theoretical but close examination will lead one to feel that it might quite possibly be workable.

THE PLAN FOR THE LAND DEVELOPMENT

One of the most far reaching suggestions that has recently been advanced relative to public land policy is that of Clarence A. Henry, a prominent housing authority. According to this plan, the government, through the exercise of the power of eminent domain, in the interest of housing and community or neighborhood development, would assemble land for private building enterprises.

There are in many of our cities areas which have been developed incoherently, without plan, without uniformity or standard of land division and construction. These areas have become a sort of "no man's land" where sporadic developments were started and then abandoned due to the lay of the land or a financial accident. As a result, certain poorly shaped spaces of land, without character and no use to the community, were created. This type is generally known as cluttered land. Like any other cluttered property it was

1. Housing the Masses, Bronovici, S., pp. 43-44.

lowered the value of adjoining residences.

However, many of these areas are capable of being reclaimed and rehabilitated. They may be transformed into desirable areas and, in some cases, even into urban communities in close proximity to the center of the city.

Because of the fact that this type of land is of little or no use, due to its location being impossible for industrial building and not attractive to private residential construction, it easily can be purchased at a low price. To do this, ways and means for using land acquisition powers would have to be found, to assemble the land and buildings found on the site and to lease or sell them to a private organization for development according to a pre-laid scheme. This would require a considerable outlay of money and an efficient organization having a thorough understanding of the existing needs of the market. With such a procedure, it would be possible for the municipality to reserve in advance such areas as may be needed for schools, playgrounds, parks and so forth.

This method of rehabilitating sub-urban areas is, however, beset with many difficulties in that the municipality would have to raise funds for the acquisition of the land and existing buildings and because the appraisals of private holdings may involve the local authorities in endless litigation.

In so far as funds are concerned, Federal, State, county and city credit may be used separately or in combination. Federal loans or subsidies might also be secured to promote specific enterprises of this kind. Owner participation as share holders could also be incorporated in a general plan. The real test would be in the amount of compensation for the property taken. In so far as building on the property is concerned, value and prices could be determined with comparatively little difficulty. The acquisition of the land would involve the serious problem.

To answer this problem of land acquisition, another step would have to be taken in the land policy of our communities. In as much as land values depend upon immediate use, the municipality would have to be empowered to acquire by purchase or condemnation the lands needed for a neighborhood project; and would pay compensation according to the revenue-yielding power of the use proposed.

Another less complicated method would be the raising of the tax rate on unused land and the yielding of condemnation power on unused and impractical buildings that might be on the property. In this way, the land owner would find it uneconomical to continue to carry the land and would either be forced to build something in line with the zoning plan of the neighborhood or would be forced to sell. Where the land is ill-sited and of little use, the community would, in all

...the only buyer. As a result, the sale value would be acceptable.

To this plan could be added the policy of requiring tax-delinquent property instead of having an immediate sale. There most tax-delinquent sites represent the poorest types of construction and are in many cases a sort of slums. This would be an easy and economical way to remove the cancer, as well as to retain land at a low price for future projects. The City of Milwaukee has done considerable work in acquiring tax-delinquent properties and, where justified by conditions, in clearing out slum areas.

APPENDIX - THE 1940-1941 MILWAUKEE BUDGET

As was pointed out in Chapter II, the worst fear that we have of the present prosperity is in its lack of permanence and the almost certain realization that after the war there is going to be a terrific economic let down.

With this in mind, the following proposal is given as one device that might be used now to lessen the shock later, and to pay now for construction in the future.

As is well known, steel, iron, lumber, brick, glass, etc. as well as the skilled labor that goes into building residences are badly needed in defense work. Should we have an expansion of residential building during the present emergency, it means that either defense work will suffer or the price paid for the building of homes will be out of proportion to the value received,

and above the general income level. In all probability, it will be a repetition of the 1925-26 building boom which created a surplus of housing for the higher income group and resulted in a terrific deflation of value.

Then too, a building boom now is not needed to stimulate economic activity; while, it will be needed after cessation of defense work. Therefore, the government should be overruling within its power to discourage general residential construction during this critical period. This can be done by a firm use of priorities and a tightening of credit conditions.

However, if we wait until after the war to promote a building boom, the people will be in a different frame of mind, incomes will be lowered and there will not be the desire to build. Also, there will be an extension of installment buying of durable consumer goods during this high income period which will have to be liquidated over a later period of years. After the defense work slackens, incomes will be reduced and most families will find it difficult to pay off existing debts.

Therefore, we have two conflicting problems which have to be met. The only answer would seem to be that incomes now must be used for construction in the future.

The best way that this could be done would be through a project in which homes could be sold now to be constructed at the close of the war emergency. It would not have to be a

difficult or complicated project and involve financial and real estate agencies under the supervision of the Federal Government could be made fit.

The plan of the Government is to have a Mr. Jones, a married man and a father of a family, now living in a small house, earning a fairly good income in Federal service. The Jones family have always considered a dream of owning their own home; but the fear of a possible loss of income has almost forced them to give up the hope of ever owning a home. For this reason, if he finds he has a good income, he discovers that the cost of construction is so high that the cost for the home he desires is out of his reach.

However, under the proposed home buying plan, he could select one of two or three houses designed for construction to fit his purse and start saving now for a house that will be built when prices are far lower. Under this plan, he pays a down payment of about ten to twenty percent of the total anticipated cost of the house. He then pays a weekly charge that varies between \$10.00 and \$20.00 per week.

For the money that he pays into the plan, interest is compounded annually so that, at the end of five years, a considerable portion of the cost is paid for in advance. The house is then built (provided the construction is under way) and the balance is placed in the form of a mortgage and amortized over a period of twenty years at a lower rate than the Federal

times, of course, that it concerns whom you are going to
take care of. It is far better that we should have the
all government to build the houses at a cost of half-construct-
ing and already half year in part. Secondly, the number of
families to save a really portion of their income. Thirdly, how
high income people would be able to pay for the house. Fourthly,
the restricted number of people who would be able to lease
the houses of inflationary prices.

Thirdly, it would also enable the people to plan and
build the creation of a large car service to enable the
construction of the car. All of the advantages of a building
could be obtained at a low cost. It would be in the line of
construction. It would be a very well known fact that
it is needed to build the necessary houses for the building
industry.

This then is a brief sketch of the general outline
of a practical plan. Details would have to be worked out for:

1. The amount of money to be raised, etc.
2. The cost and length of time for the building
participants to give
3. The type of institutions that would be needed to
provide, i.e., co-operative banks, savings banks,
real estate companies
4. The creation of the large scale construction of
the car
5. The amount of money to be raised to determine the
number of families to be constructed each year.
This would be in part determined by the number of
participants

BIBLIOGRAPHY

Books

Allen, Edith L. American Housing, Peoria, Illinois:
The Manual Arts Press, 1930. 216 pp.

American Academy of Political and Social Science. The Annals,
Current Developments in Housing. Vol. 100 1937. 285 pp.

Aronovici, Carol (Editor) Housing and the Housing Problem
Chicago: McClurg & Co., 1920. 163 pp.

• • • • • Housing the Masses. New York: John Wiley
& Sons Inc. 1939.

• • • • • America Can't Save Housing. 11 W. 53d St.
New York: Museum of Modern Art, 1934. 72 pp.

• • • • • and McCalmont, Elizabeth. Catching up
with Housing. 15 Washington Street, Newark, New Jersey:
Beneficial Management Corporation, 1936. 245 pp.

Bauer, Catherine Modern Housing, Boston: Houghton Mifflin
Co., 1934. 331 pp.

Bemis, Albert F. Rational Design, Cambridge, Massachusetts:
Technology Press, Massachusetts Institute of Technology,
1936. 625 pp. Vol. III

• • • • • The Economics of Shelter, Cambridge,
Massachusetts: Technology Press, Mass. Institute of Tech-
nology, 1934. 650 pp.

• • • • • Washington D. C. America's Capacity to
Consume., 235 Fourth Avenue, New York City: Review of Re-
views Corporation, 1934. 608 pp.

Creamer, Daniel E. "Is Industry Decentralizing?" Study of
Population Distribution, Bulletin No. 3, Philadelphia:
University of Pennsylvania Press, 1935.

Federal Emergency Administration of Public Works, Housing
Division, Washington, D. C.

• • • • • Bulletin No. 1 Good, with Wilber,
Slums and Blighted Areas in the United States 1935. 126 pp.

• • • • • Bulletin No. 2 Urban Housing
Forum, 1936. 103 pp.

• • • • • Bulletin No. 3 Home for Workers 1937. 87 pp.

. Housing Digest, Reviews and Digests

Fortune, Editors of. Housing America New York: Harcourt, Brace and Company, 1932. 155 pp.

Home Owner's Loan Corporation Blue Book Washington, D. C. 1936.

Management Training Institute, Washington, D. C. Planning for Low-rent Housing, National Association of Housing Officials, Chicago. 1938.

Morgan-Webb, Sir Charles, Three Million Houses, Committee for the Nation, New York. 1939.

National Association of Housing Officials, A Housing Program for the United States. 350 East 58th St., Chicago: November, 1934. 22 pp.

. Bulletin No. 101, November 20, 1936.

. Bulletin No. 119, August 24, 1937.

. Cooperation of Housing Agencies. Bulletin No. 64, August 15, 1935. Mimeographed. 3 pp.

Coleman Woodbury, editor. Housing Officials Yearbook, 1935. 78 pp.

. 1936

. 1937

Perry, Clarence, M. Housing for the Machine Age Russell Sage Foundation, New York. 1939.

President's Conference on Home Building and Home Ownership. Reports in 11 Volumes, Washington, D. C. 1932.

President's Research Committee on Social Trends. Recent Social Trends in the United States, New York: Crow-Hill Book Company, Inc., 1933. 1560 pp.

Public Administration Service, A Housing Program for the United States, 350 East 58th St., Chicago. 1935. 42 pp.

Strauss, Michael and Wegg, Robert. Housing Codes of Age Oxford University Press, New York. 1930.

Twentieth Century Fund. Housing for Defense, Twentieth Century Fund, New York. 1941.

United States Congress, Senate Committee, Banking and
Currency, Home Owners' Loan and National Housing Act
(result of hearings) Government Printing Office. 1935.

United States, Department Foreign and Domestic Commerce:

Financial Survey of Urban Housing, 1937.

Essential Facts on Government Aided Housing in Western
Europe, 1936.

Real Property Inventory, 1934.

United States, Department of Labor.

Building Construction, 1921-1933 1940

Building Permit Survey 1929-1933 1937

Building Permit Survey 1936-1939 1940

Organization and Management of Cooperative Housing Associa-
tions. 1934.

United States, Federal Emergency Relief Association.

Housing Digest 1936

The British Government in Housing 1936

United States Federal Housing Administration, First Annual
Report. 1935

Violler, Lawrence. A Model Housing Law. New York: Russell
Sage Foundation, Revised Edition, 1920. 430 pp.

Witten, Robert and Adams, Thomas. Neighborhoods of Small
Homes Economic Density of Low Cost Housing in America
and England. Harvard City Planning Studies, Cambridge:
Harvard University Press. 1931. 205 pp.

Hills, Royal Barry. Houses for Good Living. Architectural
Book Publishing Co., Inc. New York. 1940.

Wood, Edith Elmer, Housing Progress in Western Europe.
New York: E. P. Dutton and Company, 1923. 210 pp.

• • • • • The Housing of the Unskilled Wage Earner
Macmillan Co., New York. 1919.

Wright, Henry, Housing Urban America. New York: Columbia University Press. 1935. 175 pp.

Davies, Jos. Earl, M. A. Fundamentals of Housing Study. Teachers College, Columbia University, New York. 1935.

Periodicals

"The American Builder" "Ten Years in Housing" Evans, J.
Jan. 1941

"The American City"

"As Public Housing Enters 1941" Jan. 1941

"Density Standards Improved" July 1940

"A.J.L. Delors Path of City" Nov. 1939

Planning Commissions

"Planning and Community Planning in New York City"

Commissioners: F. Buhl, W. B. Leco, and R. V. Parsons. July 1939

"The American Journal of Public Health"

"Some Trends in Public Housing" Jan. 1941

"Architectural Forum"

"Sources of Information on Building Industry's
Role in National Defense" July 1940

"Housing and the Government"

"Public Housing and the U. S. A. A." Jan. 1940

"Architectural Record"

"New Structural System Employs No Nails" Aug. 1940

"Larson's Weekly"

"Research Jan Re-lease America" Aug. 30, 1940

"Building and Loan Journals"

"Stimulating Home Ownership" 1939

United States Building and Loan League

"Business Week"

"Rich Housing Plan" Nov. 30, 1940

"What Gov't is Doing in Housing" Feb. 17, 1940

"Housing Clearance Policy Report" Dec. 9, 1939

"Commercial and Financial Chronicle"

"Federal Government Urges to Increase Direct

Construction and Ownership." Nov. 25, 1940

"Private vs. All Government Resources Allocated
for Slum Clearance" Feb. 3, 1940

"Commonweal"
"Departments for the Poor" Sept. 29, 1939
Nov. 17, 1939

"Engineering News"
"Refabrication Ordered for Defense Housing" Dec. 12, 1940
"Defense Housing Bill Passes" Oct. 10, 1940

"Fortune"
"Housing Solutions" July 1932
"The Wages of Labor" May 1932
"How Much House for a Dollar" April 1932
"The Cost of the Builder's Home" April 1, 1932
"Housing: The Need" Feb. 1932

"Federal Home Loan Bank Review"
"Importance of 194 Census Results to Housing" Mar. 1941

"Monthly Labor Review"
"Cooperation in Building of Homes" Feb. 1941
"The Defense Housing Program" Dec. 1940
"Sliding Scale Rental Charges in Public Housing." Dec. 1940
"Union Wages and Hours in the Building Trades" Nov. 1940
"Progress of Public Housing in U. S." Mar. 1940
"British Housing Progress" Dec. 1939

"Mechanical Engineer"
"Low-Cost Housing Research" July 1940

"Nation's Business"
"Uncle Sam Real Estate Operator" Oct. 1940
"Slum Clearance by Private Enterprise" Dec. 1939

"The Nation"
"Housing for Everyone" Feb. 15, 1941
"Housing Economics" Feb. 8, 1941
"C.I.O. Solution for Defense Housing" Feb. 1, 1941

"New York Times Magazine"
"So Far, So Good in Public Housing" Sept. 15, 1940

"Survey Graphic"
"A Review on Housing" Feb. 1940

*331.833

M14g

	*331.833
	M14g
McDermott	c.1
The government's place in the	
housing industry	
DATE	ISSUED TO
2-30	Wm. F. ...
5-40	David ...

1015

BOSTON UNIVERSITY



1 1719 02487 3178

